

BUDGET

The Governing Board recognizes its critical responsibility for adopting a sound budget for each fiscal year which is aligned with the district's vision, goals, and priorities. The district budget shall guide administrative decisions and actions throughout the year and shall serve as a tool for monitoring the fiscal health of the district.

(cf. 0000 - Vision)
(cf. 3000 - Concepts and Roles)
(cf. 3300 - Expenditures and Purchases)
(cf. 3460 - Financial Reports and Accountability)
(cf. 9000 - Role of the Board)

The district budget shall show a complete plan and itemized statement of all proposed expenditures and all estimated revenues for the following fiscal year, together with a comparison of revenues and expenditures for the current fiscal year. The budget shall also include the appropriations limit and the total annual appropriations subject to limitation as determined pursuant to Government Code 7900-7914. (Education Code 42122)

Budget Development and Adoption Process

OPTION 1: (Single Budget Adoption Process)

The Superintendent or designee shall establish an annual budget development process and calendar in accordance with the single budget adoption process described in Education Code 42127(i). He/she shall annually notify the County Superintendent of Schools of the district's decision to use the single budget adoption process in the subsequent year.

In order to provide guidance in the development of the budget, the Board shall annually establish budget priorities based on identified district needs and goals and on realistic projections of available funds.

The Superintendent or designee shall oversee the preparation of a proposed district budget for approval by the Board and shall involve appropriate staff in the development of budget projections.

The Board encourages public input in the budget development process and shall hold public hearings and meetings in accordance with Education Code 42103 and 42127.

(cf. 9320 - Meetings and Notices)
(cf. 9322 - Agenda/Meeting Materials)
(cf. 9323 - Meeting Conduct)

The budget that is formally adopted by the Board shall be in the format prescribed by the Superintendent of Public Instruction. The Superintendent or designee may supplement this

BUDGET (continued)

format with additional information as necessary to effectively communicate the budget to the Board, staff, and public.

Budget Advisory Committee

The Superintendent or designee may appoint a budget advisory committee composed of staff, Board representatives, and/or members of the community.

The committee shall develop recommendations during the budget development process and its duties shall be assigned each year based on district needs. All recommendations of the committee shall be advisory only and shall not be binding on the Board or the Superintendent or designee.

(cf. 1220 - Citizen Advisory Committees)
(cf. 2230 - Representative and Deliberative Groups)
(cf. 3350 - Travel Expenses)
(cf. 9130 - Board Committees)
(cf. 9140 - Board Representatives)

Budget Criteria and Standards

In developing the district budget, the Superintendent or designee shall analyze criteria and standards adopted by the State Board of Education which address estimation of funded average daily attendance (ADA), projected enrollment, ratio of ADA to enrollment, projected revenue limit, salaries and benefits, other revenues and expenditures, facilities maintenance, deficit spending, fund balance, and reserves. The budget review shall also identify supplemental information regarding contingent liabilities, use of one-time revenues for ongoing expenditures, use of ongoing revenues for one-time expenditures, contingent revenues, contributions, long-term commitments, unfunded liabilities, and the status of labor agreements. (Education Code 33127, 33128, 33129; 5 CCR 15440-15451)

The Board shall establish and maintain a general fund reserve for economic uncertainty that meets or exceeds the requirements of law. (Education Code 33128.3; 5 CCR 15450)

The Board may establish other budget assumptions or parameters which may take into consideration the stability of funding sources, legal requirements and constraints on the use of funds, anticipated increases and/or decreases in the cost of services and supplies, categorical program requirements, and any other factors necessary to ensure that the budget is a realistic plan for district revenues and expenditures.

(cf. 2210 - Administrative Discretion Regarding Board Policy)
(cf. 3110 - Transfer of Funds)

BUDGET (continued)**Fund Balance**

The Fund Balance is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The Fund Balance Policy should be established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a Fund Balance Policy is for the district to be in a strong fiscal position that will allow for better position to weather negative economic trends.

The Fund Balance consists of five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.
- Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
- Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (governing board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.
- Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

Nonspendable and Restricted Funds

Nonspendable funds are those funds that cannot be spent because they are either:

1. Not in spendable form (e.g. inventories and prepaids)
2. Legally or contractually required to be maintained intact.

It is the responsibility of the chief Business Official to report all Nonspendable Funds appropriately in the District's Financial Statements.

BUDGET (continued)

Restricted funds are those funds that have constraints placed on their use either:

1. Externally by creditors, grantors, contributors, or laws of regulations or other governments
2. By law through constitutional provisions or enabling legislation

It is the responsibility of the Chief Business Official to report all Restricted Funds appropriately in the District's Financial Statements.

Classifying fund Balance Amounts

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last; unless the governing board has provided otherwise in its commitment or assignment actions.

Authority to Commit Funds

The district's governing board has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of a resolution by a simple majority vote. The passage of a resolution must take place prior to June 30 of the applicable fiscal year. If the actual amount of the commitment is not available by June 30, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

Stabilization Arrangement

Maintaining a Financial Stabilization Account is a necessity for sound financial management and fiscal accountability. The district's governing board has the authority to establish a Financial Stabilization Account that will be a Committed Fund Balance. A Financial Stabilization Account is established for the purpose of providing funds for an urgent event that affects the safety of the employee and student population (e.g. earthquake, wildfires, etc.). The minimum level for the Financial Stabilization Account is 5% of General Fund expenditures. The recognition of an urgent event must be established by the governing board or their designee (e.g. Superintendent). If established by the governing board's designee, the specific urgent event must be reported to the governing board at their next meeting. A budget revision must be approved by the district's governing board. In the event that the balance drops below the established minimum level, the district's governing board will develop a plan to replenish the Financial Stabilization Account balance to the established minimum level within four years.

BUDGET (continued)**Authority to Assign Funds**

Upon passage of the Fund Balance Policy, authority is given to the district's Chief Business Official to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the district's governing board at their next regular meeting. The governing board has the authority to remove or change the assignment of the funds with a simple majority vote.

The district's governing board has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

Unassigned Fund Balance

Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget revision by the district's governing board. In the event of projected revenue shortfalls, it is the responsibility of the Chief Business Official to report the projections to the district's governing board on a quarterly basis and shall be recorded in the minutes.

Any budget revision that will result in the Unassigned Fund Balance dropping below the minimum level will require the approval of 2/3 vote of the district's governing board.

The Fund Balance Policy establishes a minimum Unassigned Fund Balance equal to 8% of total General Fund expenditures. In the event that the balance drops below the established minimum level, the district's governing board will develop a plan to replenish the fund balance to the established minimum level within two years.

Long-Term Financial Obligations

The district's current-year budget and multi-year projections shall include adequate provisions for addressing the district's long-term financial obligations, including, but not limited to, long-term obligations resulting from collective bargaining agreements, financing of facilities projects, unfunded or future liability for retiree benefits, and accrued workers' compensation claims.

(cf. 4141/4241 - Collective Bargaining Agreement)

(cf. 4143/4243 - Negotiations/Consultation)

BUDGET (continued)

(cf. 4154/4254/4354 - Health and Welfare Benefits)

(cf. 7210 - Facilities Financing)

(cf. 9250 - Remuneration, Reimbursement and Other Benefits)

The Board shall approve a plan for meeting the district's long-term obligations to fund nonpension, other postemployment benefits (OPEBs). This plan shall include a specific funding strategy and the method that will be used to finance the district's annual fiscal obligations for such benefits in a manner that continually reduces the deficit to the district to the extent possible. The Board reserves the authority to review and amend the funding strategy as necessary to ensure that it continues to serve the best interests of the district and maintains flexibility to adjust for changing budgetary considerations.

When the Superintendent or designee presents a report to the Board on the estimated accrued but unfunded cost of OPEBs, the Board shall disclose, as a separate agenda item at the same meeting, whether or not it will reserve a sufficient amount of money in its budget to fund the present value of the benefits of existing retirees and/or the future cost of employees who are eligible for benefits in the current fiscal year. (Education Code 42140)

Budget Amendments

Whenever revenues and expenditures change significantly throughout the year, the Superintendent or designee shall recommend budget amendments to ensure accurate projections of the district's net ending balance. When final figures for the prior-year budget are available, this information shall be used as soon as possible to update the current-year budget's beginning balance and projected revenues and expenditures.

In addition, budget amendments shall be submitted for Board approval when the state budget is adopted, collective bargaining agreements are accepted, district income declines, increased revenues or unanticipated savings are made available to the district, program proposals are significantly different from those approved during budget adoption, interfund transfers are needed to meet actual program expenditures, and/or other significant changes occur that impact budget projections.

*Legal Reference:**EDUCATION CODE*

1240 Duties of county superintendent of schools

33127-33131 Standards and criteria for local budgets and expenditures

35035 Powers and duties of superintendent

35161 Powers and duties, generally, of governing boards

42103 Public hearing on proposed budget; requirements for content of proposed budget

42122-42129 Budget requirements

42130-42134 Financial certifications

BUDGET (continued)

42140-42141 *Disclosure of fiscal obligations*
42602 *Use of unbudgeted funds*
42605 *Tier 3 categorical flexibility*
42610 *Appropriation of excess funds and limitation thereon*
44518-44519.2 *Chief business officer training program*
45253 *Annual budget of personnel commission*
45254 *First year budget of personnel commission*
GOVERNMENT CODE
7900-7914 *Appropriations limit*
CODE OF REGULATIONS, TITLE 5
15060 *Standardized account code structure*
15440-15451 *Criteria and standards for school district budgets*

Management Resources:

CSBA PUBLICATIONS
Maximizing School Board Governance: Budget Planning and Adoption, 2006
Maximizing School Board Governance: Understanding District Budgets, 2006
School Finance CD-ROM, 2005
CALIFORNIA DEPARTMENT OF EDUCATION PUBLICATIONS
California School Accounting Manual
New Requirements for Reporting Fund Balance in Governmental Funds, January 7, 2011
FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM PUBLICATIONS
Fiscal Oversight Guide for AB 1200, AB 2756 and Subsequent Related Legislation, September 2006
GOVERNMENT FINANCE OFFICERS ASSOCIATION
Best Practice: Appropriate Level of Unrestricted Fund Balance in the General Fund, 2009
GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, March 2009
Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, June 2004
Statement 34, Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments, June 1999
WEB SITES
CSBA: <http://www.csba.org>
Association of California School Administrators: <http://www.acsa.org>
California Department of Education, Finance and Grants: <http://www.cde.ca.gov/fg>
California Department of Finance: <http://www.dof.ca.gov>
Fiscal Crisis and Management Assistance Team: <http://www.femat.org>
Government Finance Officers Association: <http://www.gfoa.org>
Governmental Accounting Standards Board: <http://www.gasb.org>
Legislative Analyst's Office: <http://www.lao.ca.gov>
School Services of California, Inc.: <http://www.sscal.com>

Policy

VACAVILLE UNIFIED SCHOOL DISTRICT

Adopted: August 4, 2005

Vacaville, California

Revised: February 5, 2009; January 21, 2010; October 14, 2010; May 24, 2012