

Board File: DB

ANNUAL BUDGET

The Board recognizes that the extent and quality of educational services affect, and are affected by, the financial condition of the district. Ensuring a positive sustainable financial condition, the superintendent or designee shall be responsible for proposing a balanced budget representing a financial plan that advances the mission of the district utilizing available financial resources. The superintendent or designee shall be responsible for reviewing budgetary requests, providing guidelines and limitations, and presenting the proposed budget to the Board for study, and review, and Board adoption shall be no later than June 30 for the next fiscal year.

In addition, the Board believes:

- While ensuring the fiscal health of the overall school district, decisions made closest to the student are the best decisions
- Each school community is unique with different demographics and student needs
- All school stakeholders – students, parents, staff, school leadership and community members – shall have a voice in the school-level budget decisions
- All decision makers shall place the needs of students first
- All decisions shall be made to promote equitable distribution of resources
- All decisions shall be made honestly

Therefore, the Board has adopted a school site-based budgeting model allowing decisions to be made closest to the student and has expanded this site-based budgeting model to all district -level departments and their respective leaders. Though the Board intends that monies appropriated in any fiscal year are intended to be spent on behalf of students in that year, in order to promote fiscal responsibility and wise, thoughtful spending, the Board supports the concept of awarding unspent discretionary monies back to the school as additional budget capacity in the next fiscal year pursuant to the accompanying regulation.

Together with the proposed budget, a statement shall be submitted by the superintendent or designee describing the underlying assumptions applied in creating the budget, the major objectives of the district's educational program for the ensuing fiscal year, and the manner in which the budget proposes to fulfill such objectives.

The adopted budget shall include details surrounding fund balance, reserves and contingencies as well as a three-year budget forecast. The format and procedures used in developing the budget shall meet requirements of the State Board of Education as set forth in the Financial Policies and Procedures Handbook for public school districts in addition to Colorado Revised Statutes and Governmental Accounting Standards Board (GASB) regulations, as applicable.

Proposed budget development guidelines

A. Fund balance

1. The district shall provide an estimate of the end-of-year fund balances to be carried

forward to the ensuing year as a beginning fund balance(s). Fund balance measures the net financial resources available to finance expenditures in future periods. Pursuant to law and GASB 54, the superintendent shall ensure that fund balances are accounted for within the following guidelines:

- a. Non-spendable fund balance: This category includes district assets that will never convert to cash (e.g., prepaid items, warehouse inventories) and/or resources that must be maintained intact pursuant to legal or contractual requirements.
- b. Restricted fund balance: This category is used to describe the portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions such as the State of Colorado's TABOR Reserve requirement. Such restrictions are imposed by parties altogether outside the school district.
- c. Committed fund balance: This category includes amounts that can only be used for specific purposes pursuant to Board action and/or resolution.
- d. Assigned fund balance: This category accounts for the portion of the fund balance that reflects the district's intended use of resources as determined by the Board or designee. When it is appropriate for fund balance to be assigned, the Board delegates this authority to the superintendent and/or the chief financial officer. For all funds other than the general fund, amounts in excess of non-spendable, and/or restricted fund balances shall be reported as assigned.
- e. Unassigned fund balance: This category accounts for the portion of the fund balance left in the general fund, that is in excess of what can properly be classified in one of the four categories described above. Notwithstanding the State of Colorado's Interest Free Loan Program, this unassigned general fund balance will be maintained to provide the district with sufficient working capital and a margin of safety to address unexpected critical needs without borrowing. This unassigned fund balance category may only be appropriated by Board resolution.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

2. A proposed budget shall not provide for expenditures, interfund transfers, or reserves in excess of available revenues and beginning fund balance.
3. A proposed budget that includes any portion of beginning fund balance to be used to cover expenditures, interfund transfers, or reserves, shall be accompanied by a "specific Board

resolution” authorizing the use of that portion of the beginning fund balance in the district’s budget. This resolution shall specify at a minimum:

- (a) The amount of the beginning fund balance to be spent under the budget;
- (b) The purpose for which the expenditure is needed; and
- (c) The district’s plan to ensure the use of beginning fund balance will not lead to an ongoing deficit.

B. District reserve requirement

- 1. The district’s general fund shall be developed with adequate appropriated monies for unforeseen contingencies.
- 2. The proposed budget shall ensure that the district holds restricted general fund or cash emergency reserves in the amount required under the provisions of Section 20(5) of Article X of the State Constitution (the TABOR Reserve); except the Board may secure a letter of credit from an investment grade bank for all or a portion of the emergency reserve as long as the Board filed a letter of intent with the State Treasurer and the Department of Education.
- 3. If the Board elects to meet the TABOR Reserve requirement with the letter of credit option, the costs for this letter of credit shall be covered from monies appropriated explicitly for such purpose.

C. Contingency requirement

- 1. At a minimum, the adopted budget for the coming fiscal year shall ensure that the district appropriates in the general fund a contingency in an amount equal to at least one percent of the amount budgeted to the general fund.
- 2. If at any time moneys are to be expended from the general fund contingency created pursuant to paragraph C.1., such monies cannot be expended absent Board approval unless any single expenditure from the general fund contingency is less than \$500,000.
- 3. At such time that the total amount of expenditures from the general fund contingency within the fiscal year totals more than half the amount of the originally appropriated contingency (0.5% of total general fund budget) staff shall provide an update containing information on the year-to-date expenditures from the contingency to the Board at the next Board meeting. At such time that this threshold has been crossed, staff will continue to update the Board for each additional \$500,000 spent from contingency throughout the remainder of the fiscal year.

4. A single expenditure is defined as any single payment or total contract amount awarded to an outside vendor.

For the purposes of this policy, a contingency request for increasing staffing and/or services related to federal and state compliance matters shall not be subject to the single expenditure limit but will be included in any report to the Board as outlined in C.3.

5. Any monies expended from general fund contingency shall be restored in the immediately succeeding fiscal year to a full one percent of the amount budgeted for the succeeding year's general fund.

Compliance with and level of reserves and contingencies contemplated by this policy shall be examined every year as part of the budget development process to determine if modifications are prudent in view of uncertainties in current and future revenues and expenses.

Adopted: June 16, 2009

Revised: October 25, 2011

Revised: February 21, 2017

Revised: March 20, 2018

Revised by the Board: August 20, 2019

LEGAL REFS.:

Colorado Constitution, Article X, Section 20

C.R.S. 101 through 117 (*School District Budget Law*)

C.R.S. 201 (*Financial Policies and Procedures Act*)

C.R.S. 22-11-302 (1)(a) (*district accountability committee budget recommendations*)

C.R.S. 22-11-402 (1)(a) (*school level accountability committee budget recommendations*)

C.R.S. 22-44-106 (*operating reserve*)

C.R.S. 22-44-301 *et seq.* (*Public School Financial Transparency Act*)

C.R.S. 22-45-103 (1)(c) (*authorized expenditures from capital reserve fund*)

C.R.S. 29-1-103 (3) (*budget to reflect lease-purchase payment obligations*)

Letter of Credit: First Amendment dated July 1, 2010 between Douglas County School District RE-1 and JPMorgan Chase, and extended for FY 2011 and FY 2012
Governmental Accounting Standards Board (GASB Statement #54)

CROSS REFS:

EL 1.5, Financial Planning and Budgeting

EL 1.6.1, Fiscal Management and Control

DAB*, Financial Administration

DBG:, Budget Adoption Procedures

DJ, Purchasing/Purchasing Authority