

20XX-XX Adopted Budget and 20XX-XX Estimated Actuals

The reporting instructions and procedures for completing the Adopted Budget Report are as follows. Please carefully review this bulletin and allow for sufficient staff preparation time to meet your board agenda deadlines and the state submission deadlines.

Report Deadline

ADOPTED BUDGET: On or before July 1 of each year, the governing board of each school district shall adopt a budget and within 5 days of adoption, file it with the county superintendent of schools (E.C. Section 42127(a) (2)).

The required Adopted Budget Report must be submitted to the governing board for certification and then transmitted to Business Advisory Services within 5 days of the above indicated date, but no later than July 1, 20XX. The list of documents to be reviewed and approved by the governing board can be found in the Table of Contents of the SACS 2005 Budget software.

Note: Districts with disapproved budgets (i.e. failing to meet the criteria and standards and not meeting their financial obligations in the budget year and the two subsequent fiscal years) must follow the budget revision process as outlined in E.C. Section 42127(e). The four areas of criteria and standards are: deficit spending, ADA, budgeting for the State required unrestricted reserve (i.e. 5% for districts with 300 or less ADA, 4% for districts with more than 300 and 1,000 or less ADA, 3% for districts with more than 1,000 and 30,000 or less ADA, or 2% for districts with more than 30,000 and 400,000 or less ADA), and multi-year commitments. Business Advisory Services will contact your district on or before August 12, 20XX, to inform you of an approved or disapproved budget.

However, districts meeting their State required budgeting percentage (i.e. the 3%, etc) in the budget year and NOT meeting this requirement in any or both of the two subsequent years SHOULD submit, as part of their board budget packet, a statement by the board that they acknowledge this situation and include a detailed fiscal recovery on how the board is planning to reinstate a positive financial condition for these periods.

MULTI-YEAR PROJECTIONS AND ASSUMPTIONS: Our office recommends districts use the SACS Form MYP or an alternate detailed method like FCMAT's Budget Explorer software, which includes at a minimum all the same information as the Form MYP, including restricted, unrestricted and combined spreadsheets and detailed revenue limit and salary and benefit lines. Documentation of assumptions used in the multi-year projections is required for all fiscal years. Districts should complete "Assumptions for Multi-Year Projections" in a written narrative or other district format. It is critical that the assumptions upon which the district's projections for the current and subsequent two years are based is clarified and clearly outlined.

STATE SOFTWARE: The SACS 20XX software contains the 20XX-XX Adopted Budget Report. The California Department of Education has indicated that the software has been posted in downloadable format on their website: <http://www.cde.ca.gov/fg/sf/fr/>. After the software is loaded, we recommend opening, printing, and reviewing these two Word files: SACS Software User Guide and SACS Instruction Manual under the folder C:/SACS2004/Calendars and Manuals.

OVERALL CHECKS: Here are some helpful tips to assist you in reviewing the various documents prior to submitting to your governing board and to the county office of education:

- Form A:
 - The Budget Year Revenue Limit ADA should equate to either the budget year estimated P-2 ADA for growing districts or Prior Year ADA for declining enrollment districts funded by the Prior Year Guarantee. The Estimated Actuals Revenue Limit ADA should equate to either the current year actual P-2 ADA, with some annual adjustments as necessary, or for districts with current year declining ADA, the district's prior year P-2 ADA.

- The Total Revenue Limit ADA of the district can be found by adding line 10 (total K-12 ADA), subtracting line 11 (Necessary Small School ADA), and adding line 24a (resident charter ADA).
- Form RL:
 - The Estimated Actuals and Budget column ADA (line 5b) should agree with the district's Total Revenue Limit ADA described above.
 - Line 21 PERS Reduction should agree with the total of object 8092 which should equal objects 3801 and 3802 for all funds combined.
 - Line 28 Charter Schools In-lieu Taxes should agree with object 7280. It is not an abatement of actual property taxes in object 80XX.
 - Line 25 Property Taxes should agree with the sum of objects 802X through 804X.
 - Line 40 Total State Aid Revenue Limit should agree with Form 01, Object 8011. The combination of lines 40, 21 and lines 25, 26 and 27 should equal the total combined revenue limit revenues for most districts. Districts with charter schools will need to adjust for the Charter School Block Grant on line 30 of the Form RL.
- Form MYP or alternative spreadsheet:
 - The budget year column should agree with Form 01, Total Budget column.
 - The Revenue Limit ADA column should match the Form RL ADA for the budget year and to the ADA listed on the Assumptions page for the subsequent fiscal years.
 - Be sure that the unrestricted revenue limit transfer to the restricted special education program is recorded as a negative on the unrestricted form and as a positive of the same amount on the restricted form. The combined form should be a zero in this line unless you also transfer a portion of the revenue limit to the cafeteria fund for Meals for Needy (not required).
 - Be sure that any contributions to restricted programs are listed as negative amounts on the unrestricted form and an equal amount as positive on the restricted form.
 - Be sure Line E.1. does not include any restricted components of the ending fund balance, such as Revolving Cash, Stores, Designated Ending Balances (object 9780). Be sure to manually include any reserves held in Fund 17 for all fiscal years.
 - Be sure to go back and reprint the MYP after the Criteria and Standards are completed.
 - Be sure to manually input the state % reserve rate and amount for the subsequent fiscal years as this does not compute or pull in automatically in the Form MYP.
 - The ending fund balance on Line D.2. must be POSITIVE or Zero on both the Restricted as well as the Unrestricted forms.
 - The percentage change columns between the years should be reasonable and consistent with the assumptions (e.g. COLA, step/column advances, benefit increases). If it is not, a detailed explanation is required.

20XX-XX Budget Assumptions Based On The Governor's May Revise

This office will use the Governor's May Revise to evaluate the district's budget during the approval process. Please keep in mind that these are tentative as budget negotiations in the legislature are still ongoing. We always use the most current information available when evaluating the districts' financial reports.

PUBLIC DISCLOSURES OF PROPOSED COLLECTIVE BARGAINING AGREEMENTS: The Public Disclosure of the Financial Impact of Proposed Collective Bargaining Agreements is a requirement under AB1200 and Government Code Section 3547.5. Meanwhile, E.C. Section 42127 requires that the governing board shall "hold a public hearing on the budget to be adopted for the subsequent fiscal year." Since these two laws are distinct and *mutually exclusive* from each other, it is clear that each one must be complied to *separately*. Therefore, should July 1 become the implementation date for both (the new agreement and the new budget), then the requirement of each law must also be satisfied separately. The coincidence does not make one or the other requirement unnecessary. Each law is unique and was designed with specific sets of criteria that have to be met and publicly sun-shined separately. Thus, districts should treat each requirement separately by having two separate packets for the community to review and two separate agenda items for the local governing board to consider. Please provide Business Advisory Services with a copy of the disclosure signed by the superintendent and the chief business official for each proposed agreement settlement, 10 days prior to the hearing date.

MINIMUM RESERVES: The legislation that enacted the provisions of the 2003/04 state budget includes authority (E.C. Section 33128.3) for districts to reduce required unrestricted reserve balance to 50% of the normal requirements of the criteria and standards. Current law authorizes this reduction for 2003-2004 and 2004-2005 only. For fiscal year 2005-06 and forward, the full amount specified in the criteria and standards must be budgeted and maintained, based on current law.

If you have any questions, please contact Business Advisory Services.