School Finance 101: Budget Basics
Course #2
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Forecast Five Analytics

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ASBA
School Finance: Budget Basics Course #3

December 8, 2021
4:00-5:00 pm

School Finance: Budget Basics Course #4

December 16, 2021
10:30-11:20 am

Annual Conference Breakout
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ANALYTICS
A Frontline Education Company
STUDENT ACHIEVEMENT

The Essential Work of School Boards:

The primary purpose of school boards is to promote and ensure student achievement and positive student outcomes.
The Board's Role in the Budget

1. Review Budget Development and Vote on Adoption
   With the superintendent, review student achievement data and any recommended programs/positions for the coming budget year. Discuss and vote on the adoption of the proposed budget in open meeting.

2. Monitor the Budget
   Ensure compliance with the adopted budget via reports on the status of expenditures and understand any exceptions to budget based on emergency needs/conditions.

3. Approve Annual Financial Report
   Each year the district is required to file an annual financial report to the Superintendent of Public Instruction and the State Board of Education.

4. Be Accountable
   Ensure taxpayer dollars are being spent in ways that promote student success and efficient operations.
Acronyms and Phrases You Should Know!
Course #2

Course #1 Acronyms and Phrases You Should Know are at the end of this presentation
The governing body responsible for managing governmental accounting principles to include financial reporting guidelines required for federal, state and local governments in the United States.

Flexible funds that may be spent on capital, as well as other expenditures.

These funds are used almost exclusively for the salaries and benefits of employees; other daily operational expenses are funded primarily from this bucket.
The governmental entity that allocates funding to school districts for new construction and building renewal is the School Facilities Board (SFB).

A legal spending limit placed on school districts is the Revenue Control Limit (RCL). The legislatively determined property tax rate is the Qualifying Tax Rate (QTR).

Buckets of Money = Funds

- Cash is kept separate from other funds—like a checking v. savings account
- Three major fund types:
  - Governmental
  - Proprietary
  - Fiduciary

Definitions found in AZ Auditor General guidance called the Uniform System of Financial Records:
Governmental Funds

General Funds:
  • M&O

Capital Funds:
  • Unrestricted Capital
  • Adjacent Ways
  • SFB
  • Bonds

Special Revenue Funds:
  • Classroom Site Fund
  • Federal Grants
  • State Grants
  • Local Grants
  • Cash-Controlled Funds

Debt Service
Governmental Funds: General Funds

M&O: Maintenance and Operations

- Fund # 001
- Tracked by four major programs:
  - Regular Education
  - Special Education
  - Career Technical Education
  - Pupil Transportation
- Funded primarily through State and County equalization and property taxes
- Can also be funded by an override, DAA (District Additional Assistance) and Impact Aid
Governmental Funds: Capital Projects Funds

Examples of Capital Projects Funds:

- Unrestricted Capital Outlay (Fund 610)
- Adjacent Ways (Fund 620)
- Bond Building (Fund 63X)
- School Facilities Board (SFB) funds (Fund 69X)

Used for capital purposes, examples include:

- Equipment
- Buildings
- Land
Unrestricted Capital Outlay

• Fund # 610

• Tracked by four major programs:
  o Regular Education
  o Special Education
  o Career and Technical Education
  o Pupil Transportation

• Funded similarly to M&O, with the exception of a specific capital outlay override (not M&O override) and can also use the RCL (revenue control limit) transfer, along with DAA

• Used for:
  o Some instructional materials (i.e. textbooks, software)
  o Equipment above the capitalization threshold
  o Vehicles
  o Buildings
  o Land
A special revenue fund is an account established by a government to collect money that must be used for a specific project. Special revenue funds provide an extra level of accountability and transparency to taxpayers that their tax dollars will go toward an intended purpose.

Special Revenue Funds include:
- Federal/State/Local Grants
- Classroom Site Fund
- Food Services
Debt Service Funds:

- Fund # 700s
- Used to pay back principal and interest on bond money
- Bonds are voter approved
- Similar, on a much larger scale, to mortgage payments on a home
Types of proprietary funds:

Enterprise Funds:
• An account that receives fees from external users for goods or services provided by the school district
• Examples: Printing services, catering services from CTED programs

Internal Service Funds:
• An account used to collect cost reimbursement for goods or services provided to other funds, departments, component units or governmental entities
• Example: Self-insured fund
Funds that the district holds on behalf of someone else in a custodial capacity. The district does not control or own the funds and cannot use it to fund district programs.

Examples:
- Student activities funds
- Trust or pension funds
Financial Oversight

Board members provide oversight on behalf of the taxpayers of the district.

Here are some tools used to provide the oversight.

Budget Adoptions, Revisions and Public Hearings
• USFR Calendar of Events: Page II-1
• azauditor.gov

Annual Financial Report
• October 15 annual deadline

Financial Audit
• Independent auditor’s report
• USFR compliance questionnaire

Regular Financial Reporting
Regular Financial Reporting
Administrative Level

• USFR Section IV requires at least quarterly preparation of operations and variance analysis

• Requires, at a minimum:
  o Budgeted expenditures per the last legally approved/adopted budget
  o Current month expenditures
  o Year to Date (YTD) expenditures
  o Remaining balances, both committed and unencumbered

*Level of detail dependent upon the needs of administration (can range from the fund level to the object code)
The Superintendent shall be ultimately responsible for receiving and properly accounting for all funds of the District.

The Uniform System of Financial Records developed by the State Department of Education and the Auditor General's Office shall be used to provide for the appropriate separation of accounts and funds.

The Superintendent shall provide to the Board periodic financial reports showing the financial condition of the District.

The Superintendent shall also be responsible for student accounting and shall report enrollment and attendance as required by the state.
M&O - YTD Expense Comparison

For the Period JUL - DEC

- **Salaries and Benefits**
- **Purchased Services**
- **Supplies**
- **Other**

<table>
<thead>
<tr>
<th>Year</th>
<th>Salaries and Benefits</th>
<th>Purchased Services</th>
<th>Supplies</th>
<th>Other</th>
<th>Total</th>
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<tbody>
<tr>
<td>2017</td>
<td>$14,309</td>
<td>$893,187</td>
<td>$1,467,711</td>
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<td>2018</td>
<td>$21,475</td>
<td>$839,066</td>
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<td>2019</td>
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<tr>
<td>2020</td>
<td>$52,576</td>
<td>$849,872</td>
<td>$1,224,655</td>
<td>$9,802,599</td>
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<td>2021</td>
<td>$364,885</td>
<td>$711,131</td>
<td>$1,843,415</td>
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<td>2022</td>
<td>$53,233</td>
<td>$860,495</td>
<td>$1,239,964</td>
<td>$9,925,132</td>
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</table>
Questions Board Members Can Ask

- Are there any large variances in the trend and why?
- How will we mitigate any variances?
- Does the finance department have any concerns?
- Do we have any one-time funding?
- How are we going to address the loss of the one-time funds?
- Can we anticipate increased or new funding?
Questions Board Members Can Ask

How often can we anticipate a financial report?

Do we have any way to share our financial status to taxpayers?

How do we compare to “like” districts?

How does our budget reflect our strategic goals?

Do we gather stakeholder input when developing the budget?

Will you notify the board of any unanticipated expenditures as they happen?
Ongoing Duties

Governance Level

• Understand budgetary limitations—especially in the context of short- and long-range strategies

• Establish policies that allow for the proper management of district funds

• Provide oversight and accountability for the expenditure of district funds (i.e., review of accounts payable activity/vouchers)

• Support the development of a high-quality education for every student based on the funding available

• Utilize board meetings and other community forums to inform taxpayers about the financial needs and condition of the district
Do you have questions?

Contact us anytime!

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Melissa Higdon
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If you have reached the end of the webinar and you were not listening to it live, please email Julie Bacon at jbacon@azsba.org for credit towards the School Finance: Budget Basics certificate*.

*You must attend all four in this series of courses to receive the certificate.
Acronyms and Phrases You Should Know!
Course #1
**ADM**
Average Daily Membership
- Total enrollment of students based on 100-day counts.

**AOI**
Arizona Online Instruction
- Fully online student learning; funded at less than in-person instruction.

**BLA**
Base Level Amount
- The amount of money per pupil set by the state Legislature annually. This is the starting point for all calculations.

**BSL**
Base Support Level
- The amount of funding generated by each student in the school district.
District Additional Assistance (DAA)

Flexible funds that may be spent on capital, as well as other expenditures.

District Support Level (DSL)

The portion of the Revenue Control Limit (RCL) that is eligible for state funding.

General Budget Limit (GBL)

A spending limit placed on school districts that includes the Revenue Control Limit (RCL) and carry forward dollars.
<table>
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<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>M&amp;O</td>
<td>Maintenance and Operations. These funds are used almost exclusively for the salaries and benefits of employees; other daily operational expenses are funded primarily from this bucket.</td>
</tr>
<tr>
<td>IGA</td>
<td>Intergovernmental Agreement. An agreement for goods or services between two government entities; for example, the school district and the city.</td>
</tr>
<tr>
<td>RCL</td>
<td>Revenue Control Limit. A legal spending limit placed on school districts.</td>
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</tbody>
</table>
These funds, which can be only used for capital expenditures exempt from District Additional Assistance (DAA), must be used for large items such as land, buildings, furniture, pupil and non-pupil transportation vehicles, instructional aids including software and library books.

**Unrestricted Capital Budget Limit (UCBL)**

A multiplier to the base support level (BSL) that provides more funding based on the experience of teachers; part of the Revenue Control Limit (RCL) and District Support Level (DSL).

**Teacher Experience Index (TEI)**

Calculated limits that fund transportation costs in a school district; part of the District Support Level (DSL) and Revenue Control Limit (RCL), respectively.

**Transportation Support Level/Transportation Revenue Control Limit (TSL/TRCL)**
**Activity Support Level**

Funding for transportation expenses not related to classroom instruction. Examples include transportation for field trips, sports, fine arts, competitions, etc.

**Capital**

The "stuff" school districts need to function; this includes buildings.

**Debt Service**

Interest paid for loans to the district. For example, bonds accrue interest charges that must be paid by the district.

**Unweighted Student Count**

Your district's ADM (average daily membership).