

CHAPTER 2 – Budgeting

Table of Contents	Page
BUDGETING	1
BUDGET PURPOSE AND FISCAL YEAR.....	1
Budget Objectives.....	1
School District Fiscal Year.....	1
Annual Schedule for Budgeting.....	2
BUDGET PREPARATION	2
Budget Preparation	2
Budget Review	3
Budget Edits	3
The Budget Document	3
Basis of Budgeting and Accounting	4
Budgeting Local, State, and Federal Revenues.....	4
Other Financing Sources	6
Budgeting Receivables Collectible in Future Fiscal Periods	6
Short-Term Loan Obligations—Anticipation Notes	6
Budgeting Expenditures	7
Salary Exhibits (GF and CPF only)	7
Multiple-Year Budget Plan Preparation.....	7
ASSOCIATED STUDENT BODY FUND (ASB) BUDGETING	7
Approval Process	8
Participation in League and Other Joint Activities	8
PUBLIC HEARINGS	9
Budget Presentation at a Public Hearing	9
Public Hearings for Budget Extensions.....	10
BUDGET EXTENSIONS AND TRANSFERS	10
Monthly Review of Budget to Determine Necessity of an Extension	10
Extending or Revising the Budget.....	10
Transfers of Budgeted Expenditures During Each Fiscal Year.....	11

FINANCIAL REPORTS.....11
Monthly Budget Status Reports and Statements of Financial Condition 11
Year-End Budget Status Reports and Statements of Financial Condition 12
PERSONNEL REPORTS.....12
Monthly Personnel Budget Status Reports 12

BUDGETING

The school budget document may be the most important single publication that any school system presents to the local citizens. It is the instrument that sets forth a financial plan for the achievement of the goals and objectives of each school district. It is also the community's educational plan expressed in dollars.

BUDGET PURPOSE AND FISCAL YEAR

Budget Objectives

The purpose of a budget is to provide a statement, expressed in financial terms, that serves as the primary tool for planning and controlling operations. To achieve this basic purpose, a comprehensive budget must be integrated with the school district financial accounting system to ensure that objectives of planning, coordinating, evaluating, and controlling are attained. The primary objectives of the budget system are to:

- Assist the formulation of an integrated plan of operations and the understanding of how each of the school district's activities contributes to the overall mission.
- Provide a means of communication between the various levels of management by stating the objectives of each program or activity within a school district and the resources necessary to achieve them. It also provides a means of justifying the overall budget.
- Integrate with the accounting systems to reflect expenditures and commitments to date and the balance of resources available.
- Provide a means of measuring and guiding performance by comparing planned (budgeted) expenditures and staffing levels against actual expenditures and staffing levels.
- Provide the historical data required for realistic budget preparation.

School District Fiscal Year

The period covered by the official budget is the fiscal year September 1 through August 31. Some projects, grants, or programs have a fiscal period that differs from this fiscal year, and it may be necessary to prepare program budgets that cover a different time period. The current official budget shall include only the estimated revenues and expenditures occurring during the period covered.

For school districts commencing basic education programs prior to September 1, the following activities shall be considered to be within the school year that commences September 1:

- School days scheduled prior to September 1.
- Staff days and activities in preparation for the school year included in employee collective bargaining contracts for the school year, but occurring before September 1 (WAC 392-121-031).

Annual Schedule for Budgeting

The annual schedule for budgeting is available in the Budget Preparation chapter of the State of Washington *School District Administrative, Budgeting, and Financial Reporting Handbook* published by the Office of Superintendent of Public Instruction.

BUDGET PREPARATION

Budget Preparation

To accomplish the objectives listed above, the following procedures may be used in budget preparation:

- Portions of the overall budget should be prepared by the person(s) with responsibility to manage the activity, program, or location. These are then reviewed, modified if necessary, approved, and integrated into the district's overall budget.
- The budget should be adequately documented. Any basic assumptions, which were made in establishing the projected personnel requirements or expenditures, should be identified.
- Administrators of the budget should play an integral part in any revisions to their budgets so that such changes are realistic and they can modify their operational plans accordingly.

Each school district shall prepare the annual budget on or before July 10 for the ensuing fiscal year. The annual budget development process shall include the development or update of a four-year budget plan that includes a four-year enrollment projection. The four-year budget plan must include an estimate of funding necessary to maintain the continuing costs of program and service levels and any existing supplemental contract

obligations. The completed budget must include a summary of the four-year budget plan and set forth the complete financial plan of the district for the ensuing fiscal year (RCW 28A.505.040).

Budget Review

RCW 28A.505.050 (WAC 392-123-078 and 392-123-079) requires that all school districts' budgets will have a preliminary review and edit performed by their respective educational service district (ESD) prior to budget adoption. School district budgets are reviewed and edited by ESDs and OSPI to insure that the estimates contained in the budgets are reasonable.

Review, alteration, and approval of the budget shall be performed by a committee consisting of the respective ESD superintendent or representative, a member of the local school district board of directors or representative, and a representative of OSPI as required for second class school districts (RCW 28A.505.060 and 28A.505.070).

Budget Edits

To aid in the budget review process, OSPI has established budget, revenue, and Form F-203 edits that must be submitted with the budget document. The primary purpose of these edits is to assist school districts in the preparation of their budgets by drawing attention to certain areas or relationships in the budget that need further evaluation. However, these edits do not relieve the school district from its responsibility for establishing the estimates as set forth in its budget document.

The Budget Document

Each fiscal year, the district's adopted official budget document (Form F-195 and F-195F), shall be submitted in the format prescribed by OSPI. Refer to RCW 28A.505.090 and WAC 392-123-053. Districts may prepare additional budget information for local use.

For each fund, the F-195 budget shall contain the following:

- Estimated revenues and expenditures for the budgeted fiscal year, the current fiscal year, and actual revenues and expenditures for the last completed fiscal year.

- The beginning and ending restricted, committed and assigned fund balances for each fiscal year.
- Transfers (which are self-balancing) must be included when applicable.

For each fund, the F-195F four year budget plan shall contain the following:

- A four-year enrollment projection.
- A four-year summary of estimated revenues.
- A four-year summary of estimated expenditures.
- A four-year summary of the beginning and ending nonspendable, restricted, committed, assigned, and unassigned fund balances.
- Transfers (which are self-balancing) must be included when applicable.

Basis of Budgeting and Accounting

School districts under 1,000 full-time equivalent students for the preceding fiscal year may make a uniform election to be on the cash basis of revenue and expenditure recognition, except for Debt Service Funds. All other school districts shall be on the modified accrual basis for budgeting, accounting, and financial reporting (RCW 28A.505.020 and WAC 392-123-049).

Budgeting Local, State, and Federal Revenues

General Fund excess levies are authorized for the maintenance and operation support of school districts as defined in RCW 84.52.053. The revenue (local property taxes) collected from calendar year levies are budgeted in the fiscal year in which they are received.

Levies in other funds are generally authorized for specific purposes. For example: buses in the Transportation Vehicle Fund, new construction, modernization, or remodeling of school facilities including technological improvements in the Capital Projects Fund, or the redemption of bonds and interest in the Debt Service Fund.

Local revenues must be estimated and may include the following types of revenues: local property taxes, tuition, fees, sales of goods, supplies and services, investment earnings, gifts, donations, fines, damages, rentals, insurance recoveries, and revenues from other school districts.

State revenues are estimated by using Form F-203, Estimate for State Revenues. The data may be revised until the budget is adopted. The information supplied on Form F-203 is combined with other data and is used to estimate each district's state-funded allocations for each fiscal year. The estimated state revenues and other data elements entered in the F-203 process are also used to begin making most apportionment payments in September. A copy of the F-203 must be attached to the F-195 filed per WAC 392-123-054. It is necessary that the F-203 data on the output reports agree with the budget data. Refer to RCW 28A.525.200 (chapter 180-25 WAC). Examples of state revenues are state apportionment, education of children with disabilities, learning assistance program, food services, transportation operations, and other special and pilot projects. State moneys are also authorized to assist school districts in providing school facilities.

Budgets should include a provision for **deductible revenues** where applicable. If a district receives revenue in any of the following revenue accounts, the amount is **deducted** from the state payment (3100, General Apportionment):

- 1400 Local in Lieu of Taxes
- 5400 Federal in Lieu of Taxes

The time lag between receipt of deductible revenues and the reduction of apportionment can significantly distort a district's financial condition. Therefore, if a modified accrual basis district receives significant deductible revenue, the district may record a liability upon receipt of the deductible revenue and liquidate the liability when apportionment is reduced; however, the balance of the liability must be recorded by year-end. Cash basis districts must restrict fund balance at year-end for the unequalized portion of the deductible revenue not yet recovered by OSPI (GL Account 815 – Restricted for Unequalized Deductible Revenue).

Federal revenues may include the following: Impact aid; federal forests; programs for special education students; vocational education; remediation education; migrant; institutions; Indian education; targeted assistance; math and science; reimbursements for breakfasts, lunches, and milk; and USDA commodities.

Other Financing Sources

Other financing sources may include the sale of bonds, real property, or equipment; insurance recoveries for fixed assets; operating transfers; and long-term financing. The use of installment purchase contracts (also known as conditional sales contracts) for the purchase of capital assets can create budgetable resources because, in most situations, they are considered to be long-term financing. The budgets for General, Capital Projects, and Transportation Vehicle funds shall contain a schedule that identifies that portion of each non-cancellable contractual liability incurred which extends beyond the fiscal period being budgeted (RCW 28A.335.170).

Budgeting Receivables Collectible in Future Fiscal Periods

When a school district board is unable to prepare a balanced budget or a budget extension, the school district may petition OSPI requesting permission to include receivables collectible in future years in order to balance the budget. If such permission is granted, it shall contain conditions, binding on the district, designed to improve the district's financial condition (RCW 28A.505.110 and WAC 392-123-060).

Short-Term Loan Obligations—Anticipation Notes

The proceeds from the sale or issuance of short-term revenue anticipation notes (RANs) should not be considered revenues or other financing sources for budgeting or financial reporting.

Revenue anticipation notes include tax anticipation notes (TANs), bond anticipation notes (BANs), or any similar type of short-term obligations issued that will be repaid out of anticipated revenues. The issuance of a RAN increases the cash assets of the issuing fund and at the same time increases its current liabilities (General Ledger Account 606). The proceeds do not increase fund balance. School districts must balance their budgets on a fund balance basis without the use of RANs.

Budgeting Expenditures

The expenditure estimates for the budgeted fiscal year represent the school district's plan to use available resources. The budgeted expenditures for each fund must be prepared in accordance with RCW 28A.505.130 (WAC 392-123-070) and constitute the appropriations as adopted by the school district.

Salary Exhibits (GF and CPF only)

Salary exhibits for both the certificated and the classified staff are to be completed for each program matrix page of the budget. Each job classification or duty code must be budgeted for each activity within each program. Districts shall provide the individual salaries together with the title or position of the recipient and the total amounts of salary under each budget class upon request as set forth in RCW 28A.505.100.

Salaries including high, low, and average salary rates must be shown for each job classification.

Multiple-Year Budget Plan Preparation

The purpose of the four-year budget plan summary and four-year enrollment projection, collectively referred to as a forecast, is to evaluate current and future fiscal conditions to guide policy and programmatic decisions. A forecast is a fiscal management tool that presents estimated information based on past, current, and projected financial conditions. This will help identify future revenue and expenditure trends that may have an immediate or long-term influence on school district policies, strategic goals, or community services.

The forecast is an integral part of the annual budget process. The forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to stakeholders in the budget process. An effective forecast allows for improved decision-making in maintaining fiscal discipline and delivering essential community services. It also should be concisely presented in the final budget document. The forecast should be regularly monitored and periodically updated.

ASSOCIATED STUDENT BODY FUND (ASB) **BUDGETING**

Approval Process

In the Associated Student Body Fund (ASB), each student activity group prepares a budget for the fiscal year. The budgets for all the student activity groups added together constitute the Associated Student Body budget for the school. After the school Associated Student Body budget is approved by the student council and the primary adviser, it is sent to the district superintendent for approval and consolidation with all other Associated Student Body budgets of the district which, when consolidated, will be the proposed Associated Student Body Fund budget for the district.

The schedule for completing the budgetary process will be as designated by the central district office and will provide for the completion of the ASB proposed budget prior to the completion of the student school year. This procedure and timing will provide for necessary student participation in the budgetary process as provided for in chapter 392-138 WAC. The district board of directors must approve the Associated Student Body Fund budget before any expenditure may be made from the Associated Student Body Fund for the fiscal year.

Participation in League and Other Joint Activities

Athletic leagues and other forms of joint interdistrict- and intradistrict-Associated Student Body programs may be formed as provided by WAC 392-138-130. These joint programs also include those between public and private schools. The leagues and other joint activities shall be budgeted in the same manner as all other activities of the Associated Student Body Fund.

When these joint programs exist and moneys must be managed, a managing district will be appointed and the joint program Associated Student Body organization will exist in that district's Associated Student Body Fund organization.

If there is a managing district, all joint activity revenues will be deposited to the credit of the joint program Associated Student Body organization and all joint activity expenditures charged to that organization. Net revenues (if any) after joint activity expenditures are paid will be distributed to the member schools according to the joint program allocation formula. Member schools within the managing district will receive their share of the net revenues by a transfer entry. Other districts will be paid by warrant.

The district receiving the payment will further allocate the payment to their member schools by transfer.

PUBLIC HEARINGS

Budget Presentation at a Public Hearing

Upon completion of the budget, school districts shall publish a notice in accordance with RCW 28A.505.050 stating:

- That the district has completed the budget.
- That the budget is on file at the district administration office.
- That a copy of the budget will be furnished to any person requesting one.
- That the board of directors will meet for the purpose of fixing and adopting the budget of the district for the ensuing fiscal year.
- The date, time, and place of the board hearing which shall occur no later than August 31 for first class districts and August 1 for second class districts.
- That any person may appear at the public hearing and be heard for or against any part of the budget.

Notice of public meetings shall be published at least once each week for two consecutive weeks in a newspaper of general circulation in the district, or if there is none, in a newspaper of general circulation in the county or counties in which such district is a part. The last notice shall be published no later than seven days immediately prior to the hearing. Such notices shall state the date, time, and place of the board hearing (RCW 28A.505.050).

The school district shall provide a sufficient number of copies of the budget to meet the reasonable demand of the public not later than July 10 (RCW 28A.505.040).

Passage of the budget resolution shall require the vote of a majority of all members of the school district board of directors at the public meeting. The chair and secretary of the board must sign the resolution.

The budget must be adopted no later than August 31 in first class school districts, and not later than August 1 in second class school districts (RCW 28A.505.060).

Public Hearings for Budget Extensions

The adoption process for a budget extension is the same as for the original budget except that notice is not required under certain types of emergencies by first class school districts per WAC 392-123-071.

BUDGET EXTENSIONS AND TRANSFERS

Monthly Review of Budget to Determine Necessity of an Extension

All funds in the budget should be reviewed and analyzed on a monthly basis. The district **must** complete a budget extension **prior** to incurring expenditures in excess of the total of such appropriations as required by RCW 28A.505.150. For first class school districts, this means that a budget extension must be adopted and filed prior to incurring expenditures that exceed the appropriation in each fund. For second class school districts, a budget extension must be adopted and approved by both the ESD and OSPI prior to incurring expenditures that exceed the appropriation in each fund. The ESD and OSPI will adjust budget extensions that do not meet this requirement.

WAC 392-138-110 requires that the Associated Student Body initially review revisions to the Associated Student Body (ASB) budget. Therefore, an extension of the Associated Student Body Fund budget should occur prior to the closing of school to secure the necessary student involvement.

Extending or Revising the Budget

School districts may adopt and file budget extensions (Form F-200) in accordance with the procedures outlined in RCW 28A.505.170 and RCW 28A.505.180 (WAC 392-123-071, 392-123-072, 392-123-078, and 392-123-079) and instructions published by the Office of Superintendent of Public Instruction. Budget extensions not in compliance with the prescribed format must be resubmitted as outlined in RCW 28A.505.090.

To increase the amount of the appropriation in any fund as provided in RCW 28A.505.170 and 28A.505.180, the school district board of directors shall adopt a written resolution stating:

- The estimated amount of additional expenditures.
- The source of funding.

- The specific reason(s) for the extension. The reason(s) may be brief. For example: increased enrollment, purchase of equipment, increased salary demand, etc.
- In the case of second class school districts, petitioning OSPI for approval.

All school districts must submit copies of their latest budget status report (Form F-198) for the appropriate fund along with copies of their budget extensions. The budget status reports submitted with budget extensions must be complete and in the proper format.

Budget extensions are reviewed and edited by the ESDs and OSPI to ensure that the estimates contained in the budget extensions are reasonable. Revised budget edits must be submitted with the budget extension document. Districts will provide explanations and correct problems when requested.

Transfers of Budgeted Expenditures During Each Fiscal Year

Transfers between budget classes (programs, activities, and objects) may be made by the school district's chief administrative officer or finance officer subject to such restrictions as may be imposed by the school district board of directors, ensuring that the approved total appropriation for the fund is unchanged (RCW 28A.505.150).

FINANCIAL REPORTS

Monthly Budget Status Reports and Statements of Financial Condition

Each school district administration shall prepare and make available monthly budget status reports (Form F-198) and a statement of revenues, expenditures, and changes in fund balance along with any other pertinent financial information to each member of the board of directors of the district and to any person or organization upon request following the policies of the board of directors. As a part of the budget status report, the administration shall provide each member of the board of directors with a brief written explanation of any significant deviations in revenue or expenditure projections that may affect the financial status of the district. Separate budget status reports (Form F-198) are provided for each fund. Districts can use these reports or design reports that will yield comparable information (WAC 392-123-110 through 392-123-120).

Year-End Budget Status Reports and Statements of Financial Condition

A budget status report is required at year-end along with other financial reports (Form F-196). It is similar in format to the monthly budget status report. The main difference is that the year-end report does not show the current month's actual and outstanding encumbrances. A comparison is made between yearly budget and actual amounts for revenues, expenditures, and adjustments. (Refer to Chapter 8—Financial Reporting.)

PERSONNEL REPORTS

Monthly Personnel Budget Status Reports

Each school district shall maintain the capability to prepare monthly personnel status reports. These reports shall display the combined responsibilities of the district's administrative staff for personnel management and budget control and shall indicate the status of expenditures and commitments for salaries and wages. The school district administration shall prepare and make available personnel budget status reports to OSPI or the board of directors of the district within ten days from the date of such request from either the superintendent or board (WAC 392-123-125).



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