

FUND BALANCE

The Governmental Accounting Standards Board (GASB) issued Statement 54 (GASB 54) that goes into effect for fiscal year 2010-11 financial statements. This statement considerably alters the categories and terminology used to describe the components that compose fund balance. These changes are intended to enhance how fund balance information is reported by establishing new classifications that are easier to understand.

The District hereby establishes and will maintain components of Fund Balance, as defined herein, in accordance with Governmental Accounting and Financial Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This policy shall only apply to the District's governmental funds.

Fund Balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing ones, or enhance the financial position of the District, in accordance with policies established by the Board of Education.

Fund balance reporting is unique to governmental fund accounting. It has traditionally been broken into reservations and designations with the remainder being reported as undesignated/unreserved/unappropriated. GASB 54 implements a five-tier fund balance classification based on spending constraints on the use of these resources. The five classifications are:

1. Non-Spendable fund balance
2. Restricted fund balance
3. Committed fund balance
4. Assigned fund balance
5. Unassigned fund balance

Definitions

Fund Balance – refers to the difference between assets and fund liabilities in the governmental funds balance sheet and is referred to as fund equity.

Non-Spendable Fund Balance - Amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory, pre-paid expenses, and revolving cash fund amounts.

Restricted Fund Balance – Amounts that can be spent only for the specific purposes stipulated by external resource providers (such as grantors), or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed Fund Balance - Amounts subject to internal constraints self-imposed by the District's highest level of decision making authority. Commitments may be changed or lifted only by the Board of Education taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – Amounts the District intends to use for a specific purpose. Assignments may be established by the governing board or by a designee of the Board. Examples include site carry-overs and accrued vacation.

Unassigned Fund Balance – Amounts representing the residual balance in the General Fund that has not been assigned to other funds and that are not in the other classifications. The Reserve For Economic Uncertainty falls into this classification.

Classification of Fund Balance Amounts

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first unless legal requirements disallow it.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts; unless the Board of Education has provided otherwise in its commitment or assignment actions.

Authority to Commit Funds

The Board of Education shall have the sole authority to commit funds. 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 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

Authority to Assign Funds

The Superintendent and Assistant Superintendent Business Services shall have authority to assign amounts of fund balance to a specific purpose; however, before expenditure, amounts must be appropriated by the Board of Education.

The Board of Education has the authority to set aside funds as Assigned Fund Balance with a simple majority vote. The same action is required to change or remove the assignment.

Minimum Level of Unassigned Fund Balance

The District is committed to maintaining a prudent level of financial resources to ensure adequate cash and protect against the need to reduce service levels because of temporary revenue shortfalls or unanticipated expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties consisting of unassigned amounts equal to 3% of general fund operating expenses and other financing uses.

Legal Reference: (see next page)

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
42120-42129 Budget requirements
42132 Resolutions identifying estimated appropriations limit
42602 Use of unbudgeted funds
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

FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM PUBLICATIONS

Fiscal Oversight Guide for AB 1200, AB 2756 and Subsequent Related Legislation, September 2006

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Statement 34, Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments, June 1999

Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, June 2004

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.fcmat.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>