

Fullerton School District

Board Policy

Fund Balance

BP 3112

Business and Noninstructional Operations

Board Adopted: June 7, 2011

PURPOSE

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements for Fullerton School District's governmental funds. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the District against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures.

The policy also authorizes and directs the District's Assistant Superintendent, Business Services, to prepare financial reports, which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

GENERAL POLICY

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the District is bound to honor constraints on the specific purpose for which amounts can be spent.

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority (Board of Trustees). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision-making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

Authority to Commit Funds

The Board of Trustees, as the District's highest level of decision-making authority, may commit a fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless

the Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined subsequent to the release of the financial statements.

Authority to Assign Funds

Upon passage of the Fund Balance Policy, authority is given to the District's Assistant Superintendent, Business Services, to assign funds for specific purposes. The Board has the authority to remove or change the assignment of the funds with a simple majority vote.

Unassigned Fund Balance

The Fund Balance Policy establishes a minimum Unassigned Fund Balance equal to 3% of total General Fund expenditures. In the event that the balance drops below the established minimum level, the District's Board will develop a plan to replenish the fund balance to the established minimum level within two years.

This policy is in place to provide a measure of protection for the District against unforeseen circumstances and to comply with GASB Statement No. 54. No other policy or procedure supersedes the authority and provision of this policy.

Legal References:

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, March 2009