

Folsom Cordova Unified School District

Understanding the Components of the General Fund Ending Balance

One of the most misunderstood aspects of California's required system for school budgeting is the General Fund Ending Balance. Those examining school district budgets often assume that an ending balance reflects unexpended funds that can be used at the discretion of the District. In reality, most of the funds that comprise the Ending Balance must be used for specific purposes.

The State's Standardized Accounting Code Structure (SACS) establishes the components to be considered in determining a District's General Fund Ending Balance. The SACS requirements were developed over a decade ago to assure that school district budgets reported income and expenses in a similar manner. All California school districts are required to use this format in managing and reporting on their budgets.

Per SACS, the General Fund Ending Balance includes the following components. These components reflect the funds determined to be available as of June 30, the end of the school financial year.

- **A 3% reserve**
 - All California public school districts are required to maintain a 3% reserve for contingencies. If the reserve is used in a given year, it must be re-established in the next year.
 - ABX4 2 (Evans, D-Santa Rosa), approved by the Legislature and signed by the Governor on July 28, 2009, provides for flexibility with regard to the Reserve for Economic Uncertainties. In that bill, the flexibility afforded to school agencies provides the ability to reduce the reserve to one-third of the statutory level. A school agency must make progress in the 2010-11 fiscal year towards reinstating the reserve level to its statutory level (i.e., 3% for FCUSD by July 1, 2011). A district required to maintain a 3% reserve can reduce that reserve level to 1%.
 - SEC. 13. Section 33128.3 of the Education Code was amended to read:
 - (a) Notwithstanding the standards and criteria adopted pursuant to paragraph (3) of subdivision (1) of Section 33128, for the 2009-10 fiscal year, the minimum state requirement for a reserve for economic uncertainties is one-third of the percentage for a reserve adopted by the state board pursuant to Section 33128 as of May 1, 2009.
 - (b) The school district shall make progress, in the 2010-11 fiscal year, toward returning to compliance with the standards and criteria adopted pursuant to paragraph (3) of subdivision (a) of Section 33128.
 - (c) For the 2011-12 fiscal year, the minimum state requirement for a reserve for economic uncertainties shall be restored to the percentage adopted by the state board pursuant to Section 33128 as of May 1, 2009.

- **A revolving cash fund**
 - The revolving cash fund is used for quick payments to vendors or employees. For example, districts often need quick cash for late timesheets, last minute vendor payments, or emergency supplies. The FCUSD maintains \$75,000 in its revolving cash fund.
- **Site and department carry-over**
 - In the FCUSD, school sites and departments are allowed to carry over some funds from one year to the next. This allows sites and departments to save for large purchases that cannot be made from the annual site or department budget. Examples are copiers and computers.
- **Legally restricted categorical funds**
 - The District receives various funds that can only be spent for specific categories. If the funds are not spent by the end of the year, they are identified as restricted categorical funds, and SACS requires that they be listed as a part of the Ending Fund Balance.
- **Local grants and donations**
 - Local corporations provide some grants and donations that are not entirely spent during the year. The grants must be spent for the specified purpose, and SACS requires that they be included in the General Fund Ending Balance.
- **Tier 3 Balances**
 - The Budget Act of 2009-10 changed 42 categorical programs from restricted to unrestricted. FCUSD now has the flexibility to redirect these state categorical funds to backfill the state cut to education. FCUSD has taken advantage of this option and now designates Tier 3 program balances in two categories: 1. Tier 3 balances to redirect/sweep for general fund purposes; and 2. Tier 3 original purpose balances that will be used to continue the original intent of the programs.***
- **Undesignated amount**
 - These are funds that are remaining at the end of the year that **can** be used at the discretion of the Governing Board. It is important to note that these funds are one-time funds, and are not ongoing.

Ending Balances

	2007/08	2008/09	2009/10 Actuals
Legally Restricted Carryover *	8,124,175	7,360,452	3,877,956
3% Reserve	4,800,000	4,500,000	4,500,000
School/Dept. Carryover **	4,791,752	4,352,846	4,348,150
Undesignated Ending Balance	1,596,979	—	671,847
Revolving Cash/Prepaid	92,300	108,763	76,568
Tier 3/Sweeps***	n/a	5,963,513	5,079,066
State Deferral	n/a	1,958,695	n/a

* Legally restricted carryover are programs restricted by the state or federal government for specific purposes. Examples include EIA, after school education, Title I, Title II, Title IV, lottery instructional materials, state academies, special education, and ARRA.

** Designated carryover examples include school site and department supply and equipment budgets, PTA donations, state site block grants, Medi-Cal reimbursements for licensed services, and Kaiser, Intel and other local grants.

***Tier 3 programs (previously restricted) examples include SLIP, instructional materials, PE teacher, ROC/P, school safety, arts and music, professional development, GATE, cal-safe adolescent parent program, CBET, adult education, and school counseling.

The SACS requirement defines what must be recorded in the General Fund Ending Balance. While the amount of the General Fund Ending Balance is often substantial, the portion of the fund that is available to be spent at the Board's discretion is the undesignated amount. The remaining Ending Fund Balance components are used for the purposes described above.

The FCUSD reports its General Fund Ending Balance as part of its budget development process and interim financial reporting at public meetings of the Governing Board. The components of the General Fund Ending Balance, including the amounts that are listed as undesignated, are described at those meetings.

The state average Ending Fund Balance for a unified school district is 10 to 11% of the total budget. Consequently, for a district the size of the FCUSD with a budget of \$144 million in 2010-11, that is a lot of money. It is not unusual for the amount to grow as the District's budget increases.

Over the past three years, the FCUSD's ending balance has been:

Year	Dollar Amount	% of Budget
2006-07	\$20,186,147	14%
2007-08	\$19,405,206	13%
2008-09*	\$24,244,269	16%
2009-10**	\$18,553,587	13%

*includes ARRA one-time funds and Tier 3 swept balances to help with the 2009-10 state reduction.

**includes Tier 3 swept balances to help with 2010/11 budget gap

Questions about the General Fund Ending Balance can be addressed to the Chief Financial Officer Rhonda Crawford or to the Superintendent by sending an email to budgetideas@fcusd.org.