

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 now 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 CA 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.
- 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.
- 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.
- 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.

For the 2007-08 school year, the FCUSD's General Fund Ending Balance included:

State mandated three percent reserve	\$4,800,000
Revolving cash fund	\$ 75,000
Site and department carry over	\$3,729,244
Legally restricted categorical funds	\$8,124,175
Local grants and donations	\$1,079,808
Undesignated	\$1,596,979

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 only 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 13.75% of the total budget. Consequently, for a District the size of the FCUSD with a budget of \$147 million in 2007-08, that is a lot of money. Because the Ending Balance is 11% to 14% of a typical budget for a unified school district, it is not unusual for the Ending Balance to grow significantly if the District's budget increases.

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

Year	Dollar amount	% of budget
2003-04	\$ 9,566,281	8.5%
2004-05	\$11,465,748	9.9%
2005-06	\$15,313,857	12.6%
2006-07	\$20,186,147	14.7%
2007-08	\$19,405,206	13.2%
Five year average	\$15,187,448	11.78%

The FCUSD business department projects that future General Fund Ending Balances will fall within the State average.

Questions about the General Fund Ending Balance can be addressed to Deputy Superintendent Debbie Bettencourt or to the Superintendent.