



# Santa Ana Unified School District

BOARD POLICY NO: 3100.1

SUBJECT: Establishment and Reservations of Fund Balance as Defined by Government Accounting Standards Board 54

CATEGORY: Business and Non-Instructional Operations

EFFECTIVE: 10/25/2016

RESPONSIBLE OFFICE(S): Business Services, Budget

REVIEWED: 05/24/2011

## SCOPE:

The District hereby establishes and will maintain reservations 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.

## POLICY:

This policy shall only apply to the District's governmental funds. Fund Balance shall be composed of nonspendable, restricted, committed, assigned, and unassigned amounts.

- **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 (governing board). 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.

When multiple types of funds are available for an expenditure, the district shall first utilize funds from the restricted fund balance as appropriate, then from the committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

The Board intends to maintain a minimum assigned and unassigned fund balance in an amount the Board deems sufficient to maintain fiscal solvency and stability and to protect the district against unforeseen circumstances.

## **Minimum Fund Balance Policy**

The governing board maintains a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of General Fund expenditures and other financing uses.



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## **Stabilization Arrangement**

A portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. The resolution states that, at fiscal year-end, an amount approximately equal to, but not less than, seven percent of the annual operating expenditures of the General Fund is to be committed for use in covering catastrophic losses, including natural and man-made disasters, insurance loss reserves, and limited operating expenses in a period of severe economic uncertainty. On June 30 of each fiscal year, seven percent of the fund balance for the General Fund is reported as committed for economic stabilization. The resolution recognizes that under extreme conditions, the use of resources may result in the committed fund balance amount dropping below the established threshold. Such amounts are required to be reinstated by the end of the subsequent fiscal year.

## **Authority to Commit Funds**

The governing board is the highest level of decision-making authority for the district. Commitments may be established, modified, or rescinded only through budget adoption or resolutions as approved by the governing board.

## **Authority to Assign Funds**

The governing board or designee associate superintendent, business services/chief business officer may assign amounts for specific purposes.

## **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the district considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the district considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

## **Annual Review and Determination of Fund Balance Reserve Amounts**

Compliance with the provisions of this policy shall be reviewed, presented, and discussed as part of the Unaudited Actuals Financial Reporting process and presentation to the Governing Board. The amounts of nonspendable, restricted, committed, assigned, and unassigned fund balances shall be reported in the Unaudited Actuals report.

## **DESIRED OUTCOME:**

Through this policy, the District shall establish and maintain fiscal solvency and stability and to protect the district against unforeseen circumstances.

## **IMPLEMENTATION GUIDELINES AND ASSOCIATED DOCUMENTS:**

District Policies and Procedures: none

Legal Reference: none