

# LAGUNA BEACH UNIFIED SCHOOL DISTRICT

## FUND BALANCE POLICY

### BP 3003

#### Business and Noninstructional Operations

- A. The District hereby establishes and will maintain classifications of Fund Balance, as defined herein, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This policy shall only apply to the District's governmental funds. Fund Balance shall be composed of nonspendable, restricted, committed, assigned and unassigned amounts.
1. **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.
  2. **Restricted Fund Balance** consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
  3. **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.
  4. **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.
  5. **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.
- B. **Minimum Fund Balance Policy**
1. 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 (REU) consisting of unassigned amounts equal to no less than four percent of General Fund expenditures and other financing uses.
- C. **Committed Fund Balance**
1. The Governing Board hereby establishes the following committed fund balance:
    - a. *Basic Aid Differential* – Commitment of an amount equal to the difference between the calculation of annual property tax revenue and the state local control funding formula target.
    - b. *Adult Education* – The District has and may elect to continue the use of the Adult Education Fund 11. Any existing balance and future transfers into the fund are considered committed for Adult Education.
    - c. *Facilities Repair and Replacement Program* – The District has elected to use the Special Reserve for Capital Outlay Fund 40 as a restricted account based on a twenty year projection of the cost of facility construction, repair, maintenance and modernization, known as the Facilities Repair and Replacement Program (FRRP). Once funds are transferred into the Facility Repair and Replacement Fund, those funds are committed to the purpose of this fund and the commitment can only be removed with a four-fifths vote of the Governing Board.
    - d. *Aliso Property* – The District has established a reserve for the accelerated option under the Option to Re-Purchase Agreement with National Church Residences of Laguna Beach. The agreement extends until 2041, but allows for the payoff of the Housing Urban Development (HUD) loan and transfer of the grant deed in case of default. The executed grant deed is held in custody trust at U.S. Bank.

The reserve is committed for the Aliso Property in the Special Reserve for Capital Outlay Fund 40.

- e. *Capital Improvement Plan* – The District has elected to establish a reserve to fund prioritized projects in a 10-year plan;
- f. *Other Commitments* – Commitments may be added or removed by approval of the Governing Board.

**D. Authority to Commit Funds**

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

**E. Authority to Assign Funds**

- 1. The governing board or designee (Assistant Superintendent of Business Services) may assign amounts for specific purposes.

**F. Spending Order Policy**

- 1. 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.

**G. Annual Review and Determination of Fund Balance Classifications**

- 1. 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.

**H. CORRELATION TO BOARD POLICY 3001 – FINANCIAL RESERVES**

- 1. **Board Policy 3003** – “Fund Balance” is specifically implemented to re-align terminology and comply with GASB 54. Existing Board Policy 3001 – “Financial Reserves” identifies existing policy for the same Fund Balances. Therefore, the corresponding reserves are classified in this policy as follows:

A.1	State Mandated 3% Minimum Reserve	Unassigned – REU
A.2	Local Requirement of 2%	Unassigned – REU
A.3	Routine Restricted Maintenance 4%	Restricted
A.4	Facility Repair and Replacement Program	Committed
A.5	Basic Aid Differential	Committed
A.6	Aliso Property	Committed
A.7	Capital Improvement Plan	Committed
A.8	Specific Assignments (Designations)	Assigned

Date Policy Adopted by the Board: May 24, 2011

Date Policy Revised by the Board: May 28, 2013

Date Policy Revised by the Board: February 11, 2014