

Total Unreserved/Undesignated Fund Balance	<u>255,000</u>
Reserved – Excess Surplus (June 30, 2006)	<u>\$ 112,000(e)</u>
Recapitulation of Excess Surplus as of June 30, 2006	
Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures (Audsum line 10025)	\$ 55,000 (f)
Reserved Excess Surplus (Audsum line 10024)	<u>112,000(g)</u>
Total Excess Surplus	<u>\$ 167,000</u>

- (a) Total General Fund Expenditures obtained from June 2006 CAFR Exhibit C-1 Budgetary Comparison Schedule – General Fund.
- (b) Include operating transfer expenditures that relate to the general fund but were required to be maintained in another fund. Do not include general fund transfers to Capital Reserve or Debt Service Fund, or Facilities Grant transfer to Special Revenue
- (c) This adjustment line is to be utilized for Impact Aid, Sale and Lease-back, Extraordinary Aid, Higher Expectation for Learning Proficiency (HELP) and Additional Nonpublic School Transportation Aid, if applicable.
- (d) The aggregate of \$264,000 represents the total amount of General Fund fund balance appropriated in the 2006-07 General Fund budget.
- (e) If this amount is negative enter zero (-0-).
- (f) Represents surplus generated in 6/30/05, and budgeted in 2006-07.
- (g) Represents surplus generated in 6/30/06 (required to be budgeted in 2007-08).

3% Calculation – Vocational Districts with An Approved Commissioner Spending Growth Limitation Adjustment (SGLA)

Under CEIFA, county vocational districts with an approved commissioner SGLA included in their 2006-07 budget must perform the 3% calculation. The calculation for these districts follows the illustration above but uses the 3% rate.

Information is being preloaded in the Audsum on unreserved, undesignated fund balances using the 3% calculation for county vocational school districts which applied for a Commissioner SGLA in their 2006-07 budget. A related warning edit is included.

6% Calculation – Vocational Districts

Under CEIFA, county vocational districts that do not have an approved commissioner spending growth limitation adjustment included in their 2006-07 budget must perform the 6% calculation.

Amounts calculated in excess of 6% that have not been appropriated in the 2006-07 original budget certified for taxes must be reported as general fund “Reserved Fund Balance - Excess Surplus” in the June 30, 2006 CAFR and appropriated in the 2007-08 budget for property tax relief. The amount which has been included in the 2006-07 budget should be reported as general fund "Reserved Fund Balance - Excess Surplus, Designated for Subsequent Year's Expenditures". Note disclosures should describe the nature of the excess surplus and the amount budgeted in the 2006-07 original budget certified for taxes and the amount reserved for the subsequent year budget.

For districts with expenditures equal to or less than \$100 million, any unreserved/undesignated general fund surplus amounts in excess of the greater of 6% of general fund expenditures or \$100,000 (after

allowable adjustments) is excess surplus. For districts with expenditures greater than \$100 million any unreserved/undesignated general fund surplus amounts greater than the sum of 3% of general fund expenditures in excess of \$100 million plus \$6,000,000 and allowable adjustments is excess surplus. Any excess surplus amount must be reserved for appropriation in the 2007-08 original certified budget.

As a reminder, county vocational districts with approved commissioner spending growth limitation adjustments in 2006-07 must perform the 3% calculation described above.

Fund Balance Classifications

The proper presentation of fund balance is an important reporting issue. Districts should use the fund balance classifications reported at the end of the *General Fund Budgetary Comparison Schedule* (Exhibit C-1) for purposes of calculating excess surplus. Fund balance in this Schedule reflects the modified accrual basis with the exception of the last state payment. Districts must include a Recapitulation of Fund Balance at the end of this Schedule with sufficient detail for a reviewer to determine the nature of any reserve or designation. See the illustration at the end of this chapter and also the guidance in Section III-5 on Audsum.

Fund balance in the governmental funds *Balance Sheet* (Exhibit B-1) reflects the modified accrual basis and should be grouped under two main categories – reserved and unreserved. In the accrual basis *Statement of Net Assets* (A-1), there are three classifications of net assets: Invested in capital assets, net of related debt, Restricted net assets (with a line item for each fund in which the net assets are restricted), and Unrestricted. Auditors and district staff should refer to GASB 34, paragraphs 30 – 37 for further clarification of these classifications.

Auditor's Note – No appropriation of surplus after June 30, 2006 is to be reflected in the June 30, 2006 balance sheet as designated for subsequent year's expenditures. The department recommends footnote disclosure in the CAFR.

Reserved fund balance classification should only be for encumbrances, or for state or other government imposed legally reserved fund balance restrictions. Beginning in 2003-04, all other legal reserves require Departmental review and approval. The request for approval should state the amount, source, purpose and legal basis for the reserve (i.e., why the funds are not available for appropriation in the subsequent year) and the fiscal year in which it will be appropriated. School districts should submit requests to the Assistant Commissioner of Finance no later than September 30 if approval is required for the audit period under review.

Fund balance - reserved for:

- The **reserve for encumbrances** represents that amount of fund balance related to orders issued in the current year that will be honored in the subsequent year. In general, for other than construction projects, that liquidation must be made within 60 to 90 days of year-end to be a valid reserve at June 30th. This should not include accounts payable, since those orders were charged as expenditures in the current year and should be included in the balance sheet as a liability. Separate lines are provided in the Audsum diskette for the reserve for encumbrances at June 30th for the general fund and capital projects fund. The department issued a Hotline on September 16, 2003 providing additional guidance on auditor reviews of encumbrances. Districts should not be encumbering goods and services that relate to the subsequent year. The Hotline is reproduced in Section I-8 of this Audit Program.

The **capital reserve account** maintained in the general fund allows a district to accumulate funds for future capital projects. EFCFA was signed into law on July 18, 2000 and significantly affected the transactions in the capital reserve accounts, which were affected again by the passage