

SECTION VI--PREPARATION OF BUDGET

**ILLUSTRATION 8
ESTIMATED SURPLUS FUND BALANCE WORKSHEET
Accrual (Fund Balance) Basis
_____ Fund
June 30, 20__**

Fund Balance, June 30, 20__	(1)	
Deduct:		
Amount Required for Cash Flow:		
a. Estimated revenue July 1 through October 31, 20__	(2)	
Minus:		
b. Estimated expenditures July 1 through October 31, 20__	(3)	
8% of Previous FY expenditure budget	(4)	
c. Amount of Fund Balance Required for Cash Flow Item (2) Less Item (3) and Item (4)	(5)	Acct. #704.1
Carryover, June 30, 20__		
Item (1) Less Item (5)	(6)	
Item (6) must be distributed between:		
Assigned to Finance FY ____ Budget	(7)	Acct. #704.2
Unassigned Surplus, June 30, 20__	(8)	

The above formula should be used to compute the surplus for each governmental fund. The formula provides a calculation to determine an amount which may be retained for cash flow, as authorized by SDCL 13-11-2.

Although the preceding formula is no longer a requirement of state law, it may still be utilized by school districts strictly as guidance.

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It is possible that this exhibit could indicate no surplus exists at June 30. If this situation would occur, the school district should anticipate the possibility of a cash flow problem during the year, and budget accordingly by including the projected deficiency in the budget, and therefore provide funding for it.

The various amounts to be used in this formula will, for the most part, consist of the projected amounts derived from the application of cash flow techniques. This may be accomplished by projecting the desired data (revenues and expenditures) on a monthly basis and summarizing the results. These monthly estimates would be made by accumulating information from available resources such as prior years' experience as modified by expected changes from historical patterns and other factors that are expected to occur during the period being analyzed. All computations made to arrive at the figures presented in this formula should be documented in some form of working paper format and retained along with other budget worksheets, for future reference. The formula is to be applied using accrual basis of accounting concepts.

The following is a list by line stating the basis of calculating the data necessary to complete the above formula.

- Line (1): This is the projected fund balance to be on hand at the end of the school's present fiscal year. This balance will be composed of all assets of the fund being evaluated minus all liabilities.
- Line (2): This line shows the projected revenue from July 1 through October 31 for the fiscal year for which the budget is being prepared.
- Line (3): The estimated expenditures to be shown here are the expenditures projected from July 1 through October 31 of the fiscal year for which the budget is being prepared.
- Line (4): This line is the appropriate percentage of the expenditure budget for estimation variances.
- Line (5): This line is the difference between the revenue (2) and the expenditures (3) and percentage (4), and will project an amount needed for cash flow purposes.
- Line (6): Line 6 is the difference between the fund balance on June 30 (1) and the amount required for cash flow (5). This line will reflect the fund balance carryover.
- Line (7): This line is the amount of line (6) which will be used to help finance the next year's budget.
- Line (8): This line is the "surplus" fund balance.