

OPERATING FUND BALANCE POLICY

Adopted: January 12, 2004

Revised: October 23, 2017

Reviewed:

I. PURPOSE

The purpose of this policy is to establish the terms and maintenance of the various funds of the school district.

II. GENERAL STATEMENT OF POLICY

- A. A fund balance reserve is important for sound financial management of the district. Maintenance of an adequate, stable fund balance is important to the establishment of a good credit rating for the district and maintaining appropriate cash-flow.
- B. The policy of the school district is to classify its fund balances based on the nature of the particular net resources reported in the separate funds of the district. Nonspendable net resources will be identified first followed by restricted, committed, assigned, and lastly unassigned as per the guidelines in Governmental Accounting Standards Board (GASB) Statement No. 54.

III. DISTRICT GOAL

- A. Because it is important to maintain an appropriate fund balance, the district will establish a goal of achieving an unassigned fund balance in operating funds between six (6) percent and eight (8) percent of the annual operating budget. Although reducing the fund balance may be a temporary means of meeting financial demands, spending down the reserve is not a good solution to funding ongoing, fixed costs.

IV. DEFINITIONS/CLASSIFICATIONS

- A. The fund balance classifications are defined as:
 - 1. Nonspendable: Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
 - 2. Restricted: Fund balance should be reported as restricted when constraints placed on the use of resources are either: a. externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b. imposed by law through constitutional provisions or enabling legislation.
 - 3. Unrestricted: Unrestricted fund balances are either Committed, Assigned, or Unassigned.

4. Committed: Used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
5. Assigned: Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed.
6. Unassigned: Unassigned fund balance is the residual classification for the General Fund. This is fund balance that has not been reported in any other classification.

V. GUIDELINES

- A. The school board shall be responsible for committing any fund balance portions to specific purposes. Once the action has been taken, committed funds can not be used for any other purpose unless the commitment is rescinded by the school board. Examples of committed general fund balances are general funds set aside for specific construction projects and levy dollars set aside for specific purpose by board resolution.
- B. The school board delegates to the Superintendent and Director of Business Services the authority to assign fund balances for specific purposes. Examples of assigned general fund balances are funds set aside for targeted services, activities, severance and fiscal stabilization.
- C. The school board hereby establishes the following order for resource use: Restricted funds shall be spent first followed by unrestricted funds. For unrestricted funds, committed fund balances should be spent first, followed by assigned fund balances and lastly unassigned fund balances for amounts in which any of those fund balances may be used.

VI. FUND BALANCE PROCESS

A. Operating Fund Balance Level between Six and Eight Percent

The administration shall alert the Board of Education and propose any or all, but not limited to, the following alternatives:

1. If the district ends the fiscal year with a positive balance of revenues over expenditures, at least one-sixth of the positive balance will be directed toward improving the operating fund balance.
2. Limit or eliminate appropriate funds for new program proposals.
3. Reduce per pupil allocations for non-personnel expenses.
4. Maintain staffing guidelines at or near the existing level.
5. Reduce existing program services on long-term basis so as to minimize the impact.
6. Present to voters a referendum to obtain additional revenues.

B. Operating Fund Balance Level at Six Percent or Below:

The administration shall alert the Board of Education and propose any or all of the following

alternative measures on a timely basis to maintain the six percent (or more) level:

1. If the district ends the fiscal year with a positive balance of revenues over expenditures, at least one-third of the positive balance will be directed toward improving the operating fund balance.
2. Reduce expenditures by cutting program services.
3. Seek additional funds through a referendum
4. Use a combination of a referendum and reducing program services.

C. Operating Fund Balance Level During Periods of Budget Reduction

The district will not take action to increase the fund balance during periods of economic distress by making specific budget reductions for that purpose. An increase to fund balance when a budget deficit requires reductions is at the discretion of the School Board.