

BUSINESS & NON-INSTRUCTIONAL OPERATIONS

3450

(DIA)

Category: Recommended

Fund Balance Policy

Purpose

The following policy has been adopted by the Inter-Lakes School Board in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*.

Fund Type Definitions

The following definitions will be used in reporting activity in governmental funds across the District. The District may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

The general fund is used to account for all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than capital projects. Examples include, but are not limited to, the Food Service Fund; Federal and State Grant Fund; and Private Grant Fund.

Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the District’s purposes.

Fund Balance Reporting in Governmental Funds

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

Nonspendable Fund Balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The District will maintain a fund balance equal to the value of inventory balances and prepaid items
- The District will maintain a fund balance equal to the corpus (principal) of any permanent funds (if any) that are legally or contractually required to be maintained intact.

Restricted Fund Balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by applicable state and local laws and regulations, external resource providers, or through enabling legislation (for example, but not limited to, actions authorized by the voters at school district meetings).

Committed Fund Balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority (i.e., the Inter-Lakes School Board)

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Inter-Lakes School Board.

Assigned Fund Balance

Definition – includes amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The Inter-Lakes School Board delegates to the Superintendent of Schools the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned Fund Balance

Definition – includes the residual classification for the District’s general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Operational Guidelines

The following guidelines address the classification and use of fund balance in governmental funds:

Classifying Fund Balance Amounts

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance Reporting

Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54. For compliance with state statutory requirements, encumbrance accounting for budgetary and financial reporting to the Department of Education and the Department of Revenue Administration, and as reported in the Required Supplementary Information (RSI) section of the annual financial statements, encumbrances are determined in accordance with RSA 32:7(I):

Chapter 32 Municipal Budget Law - Appropriations

32:7 Lapse of Appropriations

“Annual meeting appropriations shall cover anticipated expenditures for one fiscal year. All appropriations shall lapse at the end of the fiscal year and any unexpended portion thereof shall not be expended without further appropriation, unless: I. The amount has, prior to the end of that fiscal year, become encumbered by a legally-enforceable obligation, created by contract or otherwise, to any person for the expenditure of that amount;”

Prioritization of Fund Balance Use

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Unassigned Fund Balance

For compliance with state statutory requirements, encumbrance accounting for budgetary and financial reporting to the Department of Education and the Department of Revenue Administration, the statutory based General Fund “unreserved-undesignated” fund balance will be used towards funding the appropriations of the subsequent year in accordance with the historical practices of the Commissioner of the Department of Revenue Administration under RSA 198:4-a (III):

Chapter 198 School Money - District Taxes

198:4-a Report of Appropriations Voted

“III The commissioner of revenue administration shall examine such certificates and delete any appropriation which is not made in accordance with the law, and adjust any sum which may be used as a setoff against the amount appropriated when it appears to the commissioner of revenue administration such adjustment is in the best public interest.”

Unassigned fund balance in the Food Service Fund will be limited to “maximum amounts” as per federal and state regulations.

Replenishing Deficiencies

Year-end deficits and any Special revenue fund (including, but are not limited to, the Food Service Fund) will be replenished by year end transfer (journal entry or other method) from the General Fund if the General Fund has available unassigned fund balance (for financial reporting purposes) and “unreserved-undesignated fund balance (for statutory compliance purposes).

Legal References:

RSA 32, Municipal Budget Law

RSA 33, Municipal Finance Act

RSA 35, Capital Reserve Funds

RSA 198:4-b Contingency Fund

Governmental Standards Board Statement 54 (GASB 54)

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PRC: 10/12/21

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