

# Academy for Sciences & Agriculture

Adopted: July 23, 2013

District 4074

Revised: November 19, 2024

## **725 GENERAL FUND BALANCE POLICY:**

### **I. Purpose**

The purpose of this policy is to establish lines of authority and procedures for the general fund unreserved fund balance and to establish the terms for maintenance of the various funds at AFSA High School.

### **II. Policy Statement**

AFSA's policy will be to work towards a 5% general fund unassigned fund balance as a percentage of yearly general fund expenditures over the next three years.

### **III. Fund Balance Requirements**

The Board of Directors at AFSA recognizes the need to establish a general operations reserve fund balance amount to comply with the state Uniform Financial Accounting and Reporting Standards (UFARS) and maintain an adequate fund balance needed for the School's cash flow needs.

Excess annual year-end budget surpluses will not be allocated in the following year's budgets until the target fund balance is achieved unless specifically directed by the Board of Directors, except for fundraising accounts for various school activities.

The fund balance to be used is presented in the audited annual financial statement. The percentage will be calculated as follows:  $(\text{Prior Year Audited General Fund Balance} + \text{Current Year General Fund Surplus of Revenues less Expenditures}) / (\text{Total Current Year General Fund Expenditures})$ .

The administration shall monitor the fund balance and the school's cash position on an ongoing basis so as to ensure that there is adequate cash available to meet all current obligations. When the Unrestricted General Fund balance is projected to drop below the targeted level, the School shall initiate measures to either generate additional revenue or reduce expenditures through a budget reduction or a combination of both.

During the annual budget process, the Board will review the fund percentage in light of current state aid holdback provisions and other financial circumstances and will approve the annual long-range budget model to work towards the targeted fund balance.

#### **IV. Classification of Fund Balances**

AFSA's policy is to classify its fund balances based on the nature of the particular net resources reported in the separate funds of the School. Non-spendable 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. The School's goal shall be to maintain an unrestricted general fund balance of not less than the amounts stated above for a Fund Balance Reserve Level..

The Board of Directors shall be responsible for committing any fund balance portions to specific purposes. Once the action has been taken, committed funds cannot be used for any other purpose unless the commitment is rescinded by the Board of Directors. Examples of committed general fund balances are general funds set aside for specific projects or school expansion.

The Board of Directors delegates to the Executive Director the authority to assign fund balances for specific purposes. Examples of assigned general fund balances are funds set aside for technology, employee severance costs, and fiscal stabilization.

The Board of Directors has established 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.

#### **V. Deficit Fund Balance**

If the unassigned fund balance falls below 5%, the finance committee and executive director will initiate a review process to identify necessary cost-saving measures and potential revenue enhancement strategies. A plan to replenish the fund balance to a sustainable goal will be presented to the board for approval.