

RSU #63

- a. **NEPN/NSBA Code:** **DIE**
- b. **Title:** **Fund Balance**
- c. **Author:** **Budget & Finance Committee**
- d. **Replaces Policy:**
- e. **Date Approved:** **12/20/2021 RSU #63**
- f. **Previously Approved:** **08/28/2017**
- g. **Policy Expiration:** **Review as Needed**
- h. **Responsible for Review:** **Superintendent/Budget & Finance Committee/Policy Committee**
- i. **Date Reviewed:** **11/22/2021 Superintendent**
12/08/2021 Budget & Finance Committee
11/30/2021 Policy Committee
- j. **References:** **DI – Fiscal Accounting & Reporting**
DIF - Investments
- k. **Narrative:**

I. **PURPOSE:** The purpose of this policy is to establish guidelines and provide for the sound financial management of an unassigned Fund Balance.

II. **EXPENDABLE FUND BALANCE**

- A. **Definition:** RSU 63's (the District) unassigned Fund Balance, as reported in the annual Financial Report and as prepared by the contracted school auditor, represents all potential financial resources which are available for future appropriation. These funds are generally comprised of revenues in excess of those anticipated within the fiscal year plus unexpected operating budgets.
- B. **Purpose:** An unassigned Fund Balance represents the accumulation of excess revenues over expenditures and can be used as a savings account for unanticipated fluctuations or emergencies in the budget in future years. It also may create a balance of cash that prevents the need for borrowing in anticipation of revenues. Finally, it may assist the District in securing the optimal bond rating based on financial stability.
- C. **Balances:** It is the intent of the RSU #63 School Board (the Board) to maintain a minimum balance of one month, 8.33%, of annual operating expenditures, as calculated by the annual audit. The **target** balance is 12% of the annual operating expenditures.
- D. **Calculating Fund Balance:** At the completion of the annual audit, the Business Manager will submit to the Budget & Finance Committee the percentage of fund balance as compared to the annual operating expenditures for that fiscal year.
- E. **Transferring Expendable Fund Balance:** The district may present a recommendation to the voters at the annual district Public Meeting, or special

Public Meeting (when necessary), for a transfer of the unallocated fund balance, as allowed by state law. The priority of transfers will be as follows:

1. Transfer into an impending budget as a balance brought forward to offset local tax commitments.
2. Increase the designated Capital Reserve Fund.

III. GENERAL PROVISIONS

- A.** The Board, by recommendation of the Budget & Finance committee, has the authority to create reserve accounts, in accordance with guidelines found in the Maine Education & School Statutes.
- B.** District-wide Public Meetings, or Special District-wide Public Meetings, are required to appropriate funds to a reserve account in accordance with guidelines provided in the Maine Education & School Statutes.
- C.** Elimination of Reserve accounts with a zero balance is at the discretion of the Board by recommendation from the Budget and Finance Committee.
- D.** Interest earned from reserves will be distributed on a pro-rated basis among the active reserves and will not be used as operating revenue.