

Policy Statement #5520 (Business) of the Board of Education Regarding Fund Balance

I. Purpose

- A. The purpose of this policy is to promote sound fiscal practice and to ensure adherence to Governmental Accounting Standards Board (GASB) Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, and to establish target ranges for fund balance reserves.

II. Definitions

- A. General Fund – The grouping of all financial resources related to the school system’s operating accounts, except for those designated as restricted funds.
- B. Fund Balance – The excess of long-term assets over long-term liabilities in a given fund. For funds subject to budgetary encumbrance accounting, commitments such as purchase orders and contracts are also recorded as expenditures and adjusted as necessary to reflect the actual expenditure.
- C. Non-spendable Fund Balance - The non-spendable fund balance classification 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. This would include items not expected to be converted to cash, such as inventories and prepaid amounts.
- D. Restricted Fund Balance - The restricted fund balance classification should be reported when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- E. Committed Fund Balance - The committed fund balance classification reflects specific purposes pursuant to constraints imposed by a formal action of the school system’s highest level of decision-making authority - the Board of Education. In addition, such constraints can only be rescinded or changed by the same form of formal action.
- F. Assigned Fund Balance - The assigned fund balance classification reflects amounts that are constrained by the school system’s intent to be used for specific purposes but meet neither the restricted nor committed forms of constraint.
- G. Unassigned Fund Balance - The unassigned fund balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources.

III. Policy Statement

- A. The Board recognizes that maintaining a fund balance reserve makes good business and operational sense. This reserve protects against unanticipated revenue shortfalls, and it lessens the impact on operations of the school system when unexpected, one-time

expenses occur. Prudent fiscal management dictates that these funds shall be used for non-recurring expenditures.

B. Target General Fund Balance Level

1. To preserve the fiscal health of CCPS, the District will maintain an unrestricted fund balance of 12% to 16% of the total General Fund expenditure budget for the ensuing fiscal year for the unrestricted fund and restricted fund combined.

- a. Restoring the General Fund Balance Level

- 1) If the actual amount of the unrestricted fund balance falls below the target range, the Board shall act to restore the fund balance to the target within 24 months. Actions to restore the fund balance shall be based on a plan provided by the Superintendent for revenue increases and/or expenditure reductions.

C. Reporting

1. The annual financial statements shall include details of the fund balance classifications in accordance with GASB standards.

IV. Delegation of Authority

- A. The Superintendent is directed to develop administrative procedures to implement this policy in accordance with all local policies and local, state and federal laws and regulations and to communicate this policy and accompanying procedures to all relevant parties.

V. Exceptions

- A. There are no exceptions to this policy. However, the Board, by majority vote, may temporarily suspend all or part of this policy. Suspension of all or part of this policy, however, in no way relieves the Board of its obligation to comply with the pertinent local, state and federal laws and regulations or the rules and regulations of the Maryland State Board of Education and the Maryland State Department of Education.

VI. Review

- A. This policy will be reviewed at the end of three years, or sooner, if approved by majority vote of the Board of Education in public session to ensure its alignment with GFOA recommendations, GASB standards, and the financial needs of CCPS.

VII. This policy is effective September 11, 2025.

Citations

State Law:

State Reg.:

Federal Law:

Adm. Reg.:

Neg. Agr.:

Business #5520

Originally Adopted: 9/11/25

Revised:

Page 2 of 3

Other Citation: [Government Finance Officers Association](#)

1. Government Finance Officers Association (GFOA) Best Practice: Fund Balance Guidelines for the General Fund
2. Governmental Accounting Standards Board (GASB) Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions

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Page 3 of 3