



Title: **Fund Balance**

Code: 620

Book: Policy Manual

Section: 600 Finances

Purpose

The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the school district and is fiscally advantageous for both the district and the taxpayer. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the district.

Definitions

Fund balance is a measurement of available financial resources. Fund balance is the difference between total assets and total liabilities in each fund.

GASB Statement 54 classifies fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts shall be reported in the following classifications:

Nonspendable - amounts that cannot be spent because they are in a nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

Restricted - amounts limited by external parties, or legislation (e.g., grants or donations, or capital reserve).

Committed - amounts limited by specific Board action (e.g., future planned costs).

Assigned - amounts that are intended for a particular purpose, (e.g., segregated and intended to be used at some time in the future).

Unassigned - amounts available for consumption or not restricted in any manner.

Guidelines

The school district will strive to maintain an unassigned general fund balance of not less than five percent (5%) and not more than eight percent (8%) in keeping with Act 48 of 2003 of the budgeted general fund expenditures for that fiscal year.

The unassigned fund balance shall be that portion of the fund balance which is available for appropriation for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which the school district's budget was adopted and held in the General Fund account of the district.

The total fund balance, consisting of several portions including committed, assigned and unassigned, may exceed eight percent (8%) provided specific Board action committing or assigning the use of such funds is approved by formal resolution of the Board. The Board reserves the right to change the commitment or assignment of such funds by subsequent resolution of the Board.

If the unassigned portion of the fund balance falls below the threshold of five percent (5%), the Board will pursue variations of

increasing revenues and decreasing expenditures, or a combination of both until five percent (5%) is attained.

In keeping with statute, when the unassigned portions of the general fund balance exceeds eight percent (8%) of budgeted expenditures, the Board shall utilize a portion of the fund balance by appropriating excess funds for nonrecurring expenditures only.

Delegation of Responsibility

The responsibility for designating funds to specific classifications shall be as follows:

1. Nonspendable – shall be determined annually by the Business Administrator in consultation with the Superintendent and Board of School Directors.
2. Restricted – shall (in conformance with legislation) be determined annually by the Business Administrator in consultation with the Superintendent and Board of School Directors.
3. Committed – formal Board action required.
4. Assigned – shall be determined by the Business Administrator in consultation with the Superintendent and Board of School Directors.

The Superintendent or designee shall be responsible for the enforcement of this policy.

Adopted: **July 19, 2011**
