

Adopted: August 13, 2007
Board Review: February 8, 2010
Revised: June 27, 2011
Revised: June 23, 2013
Revised: November 28, 2016
Revised: November 27, 2017 [Routine Review]
Contact Person: Executive Director of Finance and Support Services

POLICY 701.3 FUND BALANCE

I. PURPOSE

To assure sufficient cash flow, taking into consideration the timing of state aid and property tax payments, unexpected revenue shortfalls, or any emergency or unexpected expenses. A sufficient fund balance strengthens the position of the school district for bond rating purposes.

The School Board recognizes that fund balances must be maintained in accordance with the Government Accounting Standards Board (GASB)'s statement number 54. Fund balance categories to be maintained would be non-spendable, restricted, committed, assigned, and unassigned.

II. GENERAL STATEMENT OF POLICY – NON-SPENDABLE FUND BALANCES

The District's non-spendable fund balance will consist of non-cash assets such as pre-paid expenditures, inventories, endowments and long-term receivables.

III. GENERAL STATEMENT OF POLICY – RESTRICTED FUND BALANCES

The District will place funds in a restricted fund balance if there are constraints on how resources are spent either by statute, grantors or creditors.

IV. GENERAL STATEMENT OF POLICY – COMMITTED FUND BALANCES

The School Board may elect to establish fund balances that are committed for a specific purpose. Such designations will be approved by a majority vote of the School Board. Committed fund balance cannot be used for any other purpose until the commitment is removed. The School Board may also, by a majority vote, remove dollars from a committed fund balance and place those dollars back into the unassigned fund balance.

V. GENERAL STATEMENT OF POLICY – ASSIGNED FUND BALANCE

The School Board designates that the Board Chair, Superintendent, Executive Director of Finance and Support Services may opt to assign general fund balance for a specific purpose. The School Board will approve the purpose of the assignment and amount. Funds can be unassigned by the same parties with School Board approval.

For all funds other than the general fund, any positive balances not already classified as nonspendable, restricted or committed would also be classified as assigned fund balances.

VI. GENERAL STATEMENT OF POLICY – UNASSIGNED FUND BALANCE

The District budget will be developed to maintain an adequate fund balance in the school's unassigned general fund (excluding Capital Projects and Operating Capital). The school budget will be constructed to maintain a minimum of 5% of the fiscal year's expenditures.

- A. Should the Unassigned General Fund (excluding Capital Projects and Operating Capital) balance drop below 5%, the following criteria must be met:
1. The action must be temporary and be resolved within the next budgetary cycle and next fiscal yearend audit.
 2. The district shall initiate measures to either generate additional revenue or to reduce expenditures through a budget reduction, or a combination of both.

In funds other than the general fund, the negative balances of these funds would be classified as unassigned fund balances.

VII. PRIORITY OF SPENDING

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor the constraints on the specific purpose for which amounts in these funds can be spent. If resources from more than one fund balance classification could be spent, the school will follow the approved district plan for each of the areas. If there is no plan, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

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REGULATION 701.3 FUND BALANCE PROCEDURES

- I. Regular update of the long-range budget projection by administration is an important component to management of fund balance. Update of the budget may identify resources available for program enhancement or will determine if cost containment efforts are required.
- II. The school district budget is tied to a variety of unpredictable and uncontrollable factors, which are to be monitored in the long-range budget projection, including the following:
 - A. Receipt of state revenue is subject to change by the Legislature.
 - B. Receipt of revenue from state and local sources is irregular when compared to the expenditures of funds, thereby creating periodic cash flow deficits during the year.
 - C. Higher than usual tax delinquencies may occur during periods of economic downturn, thus reducing District property tax receipts.
 - D. Unexpected events can alter the budget by unexpectedly reducing revenues or adding costs. Examples include:
 1. Mandated, but not funded, State or Federal programs.
 2. Increased utility costs due to abnormal price increase or unusually cold weather.
 3. Greater than expected inflation.
 4. Higher than expected wage and salary settlements.
 5. Unexpected deficits in other operating funds (Food Service, Community Education).
 6. Decrease in projected enrollment.
- III. The following are consequences related to fund balances in a school district's General Fund:
 - A. School districts without sufficient funds on hand must borrow money on a short-term basis to cover cash flow deficits.

- B. Maintenance of an adequate, stable fund balance decreases interest expense on bonded debt through an approved bond rating.
- C. When cash is not needed to meet operating expenses, cash on hand will be invested to generate additional income for the District.