

714 GENERAL FUND BALANCE

I. PURPOSE

The purpose of this policy is to ensure financial stability of the District, to provide a sound basis to justify continuation of the strong financial rating, and to provide a reserve enabling the district to deal with unforeseen budget expenditures.

The Board of Education 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.

The 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 expenditure 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 reducing revenues or adding costs. Examples include:
 - ◆ Recision of state revenue
 - ◆ Mandated, but not funded, state or federal programs
 - ◆ Increased utility costs due to abnormal price increases or unusually cold weather
 - ◆ Greater than expected inflation
 - ◆ Higher than expected wage and salary settlements
 - ◆ Unexpected deficits in other operating funds (Food Service and Community Education & Services)
 - ◆ Decrease in projected enrollment.

II. GENERAL STATEMENT OF POLICY

To ensure the financial strength and stability of the District, the Board of Education will endeavor to maintain an unassigned fund balance 5% of the District's General Fund expenditures for the current and subsequent year.

III. DEFINITIONS

A. Fund Balance Classifications, based on GASB Statement NO. 54 definitions:

“Nonspendable” fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

“Restricted” fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.

“Assigned” fund balance amounts are comprised of unrestricted funds constrained by the school district’s intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district’s intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

“Unassigned” fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

Other definitions:

“Enabling legislation” means legislation that authorizes a school district to assess, levy, charge, or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes listed in the legislation.

“Fund balance” means the arithmetic difference between the assets and liabilities reported in a school district fund.

“Unrestricted” fund balance is the amount of fund balance left after determining both nonspendable and restricted net resources. This amount can be determined by adding the committed, assigned, and unassigned fund balances.

B. Bond Rating – Independent agency (i.e., Moody or Standard & Poor’s) provide financial rating of the District.

C. State Revenue – State revenue as one component of the legislatively set formulas for funding public education. The other major component is property taxes.

D. Categorical funding – Categorical funding is revenue which is earmarked for specific purposes and any remaining funds are considered to be designated reserves.

IV. REQUIREMENT

A. When the fund balance in the General Fund budget approaches 5%, the District shall implement other budget control measures, which do not adversely affect delivery of instructional programs.

B. When the year-end General Fund unassigned balance is projected to decrease below 5% of the General Funds, the District shall initiate one or more of the following measures to ensure that the year-end General Fund balance for the budget year in question does not go below the 5% goal.

1. Reduce expenditures through implementation of cost containment measures.
2. Seek opportunities to increase revenue. Consider fee increases where appropriate. Examine options to increase enrollment.
3. If permitted by state law, request from voters additional revenue through an increase in the operating referendum or other financial options.

V. ORDER OF RESOURCE USE

If resources from more than one fund balance classification could be spent, the district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.