

SYSTEM OF ACCOUNTING: FUND BALANCE

This policy has been developed in order to address the implications of Governmental Accounting Standards Board (GASB) Statement Number 54.

Fund balance measures the net financial resources available to finance expenditures of future periods. Fund balance is the difference between assets and liabilities reported in a governmental fund. The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without unnecessary borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Education. It is recognized that it will not always be possible to avoid borrowing to provide cash flow.

Fund Balance of the District may be committed for a specific purpose by formal action of the Board of Education. Amendments or modification to the Committed Fund Balance must also be approved by formal action of the Board. Committed Fund Balance does not lapse at year end.

The Board of Education delegates authority to assign fund balance for a specific purpose to the Superintendent. Assigned Fund Balance does not lapse at year end.

Restricted Fund Balances are those amounts that can only be spent for the specific purposes stipulated by external resource providers.

Nonspendable Fund Balances include amounts that are not in a spendable form. Examples include inventory.

For purposes of fund balance classification, expenditures are to be spent from Restricted Fund Balance first (when appropriate), followed in order by Committed Fund Balance, Assigned Fund Balance and lastly, Unassigned Fund Balance.

The Board recognizes that good fiscal management comprises the foundational support of the entire District. It is generally recommended that governments, regardless of size, maintain an unrestricted fund balance equal to two (2) months of either general fund operating revenues or expenditures. As those two (2) amounts can be significantly different, it is the District's policy to measure fund balance on the basis of operating expenditures.

To make the foundational support of the District as effective as possible, the Board desires to maintain, in stable economic times, a fund balance of at least five percent (5%) of the District general fund annual operating expenditures. However, the Board is cognizant of the fact that as of initial adoption of this policy, the fund balance percentage is already below this benchmark. Further, the Board is aware that significant funding challenges have been addressed in the past fiscal years.

At this time the Board intends to maintain a fund balance sufficient to avoid a determination by the State Superintendent that 'probable financial stress' within the meaning of Public Act 4 of 2011 (the Local Government and School District Fiscal Responsibility Act) exists. In addition, it is the Board's intent to continue to make every effort to reduce structural inadequacies between operating revenues and expenditures as both operationally and programmatically practical to allow future fund balance growth. The Board shall annually review this provision when budgeted operating expenditures exceed budgeted operating revenues.

An annual reporting of fund balances as classified in accordance with GASB 54 shall be as reported in the annual Audited Financial Statements of the District.