

The Board recognizes that maintaining an adequate fund balance in the District's General Fund is essential to the financial stability of the District and sound fiscal management. The Board also recognizes its responsibility to ensure that the District's fund balance resources are used properly and reported in accordance with applicable legal requirements and generally accepted accounting principles for governmental entities.

The Board believes that an adequate fund balance is necessary for the successful fiscal operation of the District. To that end the Board recognizes the need to carry an operating reserve in the General Fund to:

1. Minimize any short-term borrowing during the annual operating cycle;
2. Serve as a safeguard against unanticipated expenditures and/or unrealized revenues; and,
3. Demonstrate sound fiscal management, resulting in a high credit rating and reducing District financing costs.

Fund Balance (the difference between the District's assets and its liabilities) shall be reviewed annually to determine allocation between Non-spendable, Restricted, Committed, Assigned, and Unassigned/Unrestricted Fund Balance account classifications. This shall be done as part of the District's budget planning process.

- ❖ **Non-spendable Fund Balance:** This 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.
- ❖ **Restricted Fund Balance:** This 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. For example, the fund balance of the debt service fund, which is used to repay debt authorized by referendum, is restricted by bonding covenants to be used only for the repayment of long-term debt.
- ❖ **Committed Fund Balance:** This classification consists of amounts that are committed for specific purposes by formal action of the School Board. Such constraints can only be removed or changed by the same form of formal action. For example, major maintenance projects where formal action of the Board is required to establish and release a commitment.
- ❖ **Assigned Fund Balance:** This classification includes amounts that are intended to be used for a specific purpose but are neither restricted nor formally committed. For example, major maintenance projects where the action to establish and release a commitment is delegated by the Board to a position such as the Executive Director of Business Services.

- ❖ **Unassigned/Unrestricted Fund Balance:** This classification includes any remaining amounts that are not classified as Non-spendable, Restricted, Committed, or Assigned. Working capital is an example of this classification.

The School Board recognizes the need to maintain an adequate Unassigned/Unrestricted Fund Balance in the General Fund for the following purposes:

- As a safeguard in the event of unexpected expenses and unrealized revenues.
- To reduce the need for short-term cash flow borrowing.
- To demonstrate financial stability and sound fiscal management.

Fund Balance amounts will be reported in conformance with generally accepted accounting principles (GAAP) and legal requirements. Unrestricted fund balances shall be restated at the end of each fiscal year (June 30) for general purpose financial statements.

The Board may, from time-to-time, commit fund balance resources for a specific purpose. To the extent Board action regarding any fund balance amounts under this policy constitutes a budget amendment under state law (i.e., a change in the amounts of the appropriations or the purposes for such appropriations as stated in an adopted school district budget), a two-thirds vote of the entire membership of the Board shall be required, and a legal notice of the action taken shall be issued as required by law.

The District shall strive to maintain an unassigned/unrestricted year-end fund balance in the General Fund to avoid the need to short-term borrow for cash-flow purposes. The Executive Director of Business Services will provide an annual review of the District's Fund Balance and make recommendations to the Board regarding the Fund Balance.

Referenced Acts, Statutes, Instructions: 65.90(3), 65.90(5), 120.14, 120.18

Cross Reference:

Adopted: January 2015

Revised: