1.0 Purpose

The board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the district and is fiscally advantageous for both the district and the taxpayer. An unassigned fund balance is an important measure of economic stability and thus, it is essential that the district maintain adequate levels in the unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. This policy establishes parameters and provides guidance concerning the desired level of year-end fund balances (June 30th of any given year) to be maintained by the district.

2.0 General Statement of Policy

The policy of this school district is to comply with the provisions of the Governmental Accounting Standards Board (GASB) and GASB Statement No. 54. To the extent a specific conflict occurs between this policy and the provisions of GASB Statement No. 54, the GASB Statement shall prevail.

3.0 Definitions

3.1 Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each of the district's governmental funds.

GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, distinguishes fund balance classifications based on the relative strength of the constraints that control the purposes for which specific amounts can be spent.

3.2 Beginning with the most binding constraints, fund balance will be reported in the following five classifications.

3.2.1 Non-spendable fund balance – funds that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

3.2.2 Restricted fund balance – funds limited by external parties of legislation whereby constraints have been placed on the use of the resources. Restricted fund balance amounts are 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 imposed by law through constitutional provisions or enabling legislation.

3.2.3 Committed fund balance – funds that are committed for specific purposes by formal action of the school board. Amounts classified as committed cannot be used for any other purpose unless the school board removes or changes the limitation by taking the same form or action it employed to previously impose the limitation. The action to commit fund balances must occur prior to yearend; however, actual amounts can be determined in the subsequent period.

3.2.4 Assigned fund balance – funds that are intended by the school district to be used for specific purposes, but are neither restricted nor limited, should be reported as assigned fund balance. Intent should be expressed by the school board or administration, in accordance with this policy. The district is not allowed to assign a fund balance that results in a residual deficit.

3.2.5 Unassigned fund balance – includes any remaining amounts after applying the above definitions; amounts not classified as non-spendable, restricted, committed, or assigned.

3.3 “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.

3.4 Categorical Aid: Funds paid by the state to school districts and designated for specific purposes, such as transportation, special education for disabled children, and career and technical education. Categorical aids are relatively minor compared to general education revenue, the main school district funding stream.

4.0 Minimum Fund Balance

The school district will strive to maintain a minimum unassigned general fund balance of 3 percent of the annual budget. The General Fund minimum unassigned fund balance will be increased to compensate for any negative balances in the Food Service Fund and/or Community Service Fund. If the unassigned fund balance is projected to fall below or has fallen below the goal of three percent (3%), the district administration will notify the board and discuss how to restore the fund balance to the acceptable level.
5.0 Order of Resource Use

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned. In addition, within restricted revenues, the district will use resources in the following order (first to last): federal, grant, and categorical.

6.0 Committing Fund Balance

A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

7.0 Assigning Fund Balance

The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the superintendent or the superintendent’s designee. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board.

An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

8.0 Review

The school board will review the sufficiency of the minimum unassigned general fund balance level as warranted but no less than every two years.