

**FUND BALANCE**

A. The Board of Education recognizes the need to maintain an operating reserve in the general fund for the following purposes:

1. Hold adequate working capital to meet cash flow needs during the fiscal year
2. Reduce the need for short term borrowing
3. Serve as a safeguard for unanticipated expenses of the District
4. Show fiscal responsibility to maintain a high credit rating which will help reduce future borrowing costs

Any under-budgeted account balances in a given fiscal year will be added to the District fund balance.

B. **Long-Term Goals** - The District's long-term goals for fund balance is to achieve and maintain a general fund balance that would alleviate the need to short-term borrow for operational cash flow needs. Fund balance in excess of this goal may be used for expenses as defined below.

C. **Use of District Fund Balance** - Use of the general fund balance shall be restricted to one-time expenses as a result of a District initiative or unforeseen costs (i.e. damages). The general fund balance shall not be designated for any recurring costs in the operating budget.

D. **Financial Disclosures**

1. Fund balance amounts will be reported in conformance with generally accepted accounting principles and shall be reclassified not less than the end of each fiscal year for general purpose financial statements. The district shall report inventories, long-term receivables and amounts legally or contractually required to be maintained intact as non-spendable. The fund balance for the spendable portion of permanent funds and balance, if any, in the special revenue trust fund, debt service funds, food service fund, community service fund and any other fund established by regulatory authority shall be classified as restricted.
2. The school board directs a commitment of fund balance in an amount to the extent such commitment does not create a negative unassigned fund balance. The Board may commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open

meeting and require the approval of a majority of the Board. Commitments of fund balance, once made, can be modified only by majority vote of the Board.

3. The Board authorizes and directs the Director of Business Services to assign fund balance, to the extent such assignment does not create a negative unassigned fund balance, as follows:
  - a. An amount sufficient to liquidate open encumbrances that are reasonably expected to result in an expenditure in the subsequent year and
  - b. An amount estimated to be sufficient to cover the cost of unsettled labor agreements, if any.

E. ***District's Spending Policy*** - The District has established the following order of spending when various funding sources exist.

1. Restricted;
2. Committed;
3. Assigned;
4. Unassigned.

F. ***General Fund Balance Level and Rationale***

1. The general fund, as the principal operating fund of the District, often will have net resources in excess of the commitments. The School Board strives to maintain a General Fund at a level that supports attaining the District's long-range goals. A formal written policy governing the purpose and acceptable range of the District's general fund balance is an effective financial management tool to responsibly utilize District's financial resources to stabilize property taxes and ensure the continued provision of services to residents. An adequate general fund balance provides resources to:
  - a. Maintain sufficient working capital to finance operating expenditures, minimizing short-term cash flow borrowing.
  - b. Temporarily finance unanticipated expenditures or unusual fluctuation in the District's revenue sources while also setting aside funds for anticipated future cash outlays.
  - c. An appropriate amount of financial reserves will result in higher credit ratings which will lower the District's borrowing costs.
2. The adequacy of the general fund shall be reviewed annually as part of the District's budget development process using the following factors:

- a. The District's enrollment pattern and the District's current property tax levies and their impact on the District's revenue limit.
  - b. The District's level of state equalization and categorical aid funding and federal funding levels. The District will monitor the percentage of the District's budget being supported by federal and state grants.
  - c. The District's capital asset conditions, assessing the age and condition of the facilities and major facility and equipment needs within the next five years.
  - d. The District's current debt position
  - e. The District's bond rating
  - f. The District's current and predicted economic environment.
3. Any dollars anticipated to be realized through cost efficiencies from the current budget year will be evaluated for commitment, assignment or left unassigned by action of the School Board or management. The actual amount of any funds will be reported in the District's year-end audit report.

**G. *Restoration of General Fund Balance***

- 1. From time to time, the District's general fund balance may be depleted below the range approved in this policy. If the general fund balance is depleted below the levels established by this policy, the District:
  - a. will develop a plan to restore the balances over time for School Board approval,
  - b. develop a plan including recommendations for revenue adjustments and/or expenditure reductions as may be appropriate.
  - c. review and update the plan on an annual basis with the School Board until the policy level guidelines are achieved.
- 2. The District's fund balance policy is subject to review and change by District management and elected officials on a regular basis.

ADOPTION DATE: June 13, 2011

REVISION DATE(S):

REVIEW DATE(S):

CROSS-REFERENCE: Exhibit 1, DPI and Accounting Definitions

LEGAL REFERENCE: GASB #54