

BUSINESS AND NON-INSTRUCTIONAL OPERATIONS

Fund Balance Policy

The Fund Balance Policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained to cover unanticipated expenditures and/or revenue shortfalls, and to provide sufficient cash reserves to limit the need for external borrowing. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The Fund Balance Policy should be established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances.

The Fund Balance consists of five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- **Nonspendable Fund Balance** consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.
- **Restricted Fund Balance** consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
- **Committed Fund Balance** consists of funds that are set aside for a specific purpose by the County Superintendent of School's highest level of decision making authority (County Board of Education). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- **Assigned Fund Balance** consists of funds that are set aside with the intent to be used for a specific purpose by the County Superintendent of School's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.
- **Unassigned Fund Balance** consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures, revenue shortfalls, and cash reserve requirements.

Nonspendable and Restricted Funds

Nonspendable funds are those funds that cannot be spent because they are either:

- 1) Not in spendable form (e.g. inventories and prepaids), or
- 2) Legally or contractually required to be maintained intact.

It is the responsibility of the Chief Business Official to report all Nonspendable Funds appropriately in the County Superintendent of Schools Financial Statements.

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Restricted funds are those funds that have constraints placed on their use either:

- 1) Externally by creditors, grantors, contributors, or laws or regulations or other governments, or
- 2) By law through constitutional provisions or enabling legislation.

It is the responsibility of the Chief Business Official to report all Restricted Funds appropriately in the County Superintendent of Schools Financial Statements.

Classifying Fund Balance Amounts

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last; unless the County Board of Education has provided otherwise in its commitment or assignment actions.

Authority to Commit Funds

The County Board of Education has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of a resolution by a simple majority vote. The passage of a resolution must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

Authority to Assign Funds

Upon passage of the Fund Balance Policy, authority is given to the County Superintendent or Deputy Superintendent to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the County Board of Education at their next regular meeting. The County Board of Education has the authority to remove or change the assignment of the funds with a simple majority vote.

The County Board of Education has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

Unassigned Fund Balance

Unassigned Fund Balance is the residual amount of Fund Balance in the County School Service Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the County School Service Fund in order to cover unexpected expenditures, revenue shortfalls and cash reserves.

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Unassigned Fund Balance may be accessed in the event of unexpected expenditures or revenue shortfalls up to the minimum established level upon approval of a budget revision by the County Board of Education. In the event of projected revenue shortfalls, it is the responsibility of the Chief Business Official to report the projections to the County Board of Education at the First and Second Interim reporting periods.

Any budget revision that will result in the Unassigned Fund Balance dropping below the minimum level will require the approval of 2/3 vote of the County Board of Education.

The Fund Balance Policy establishes a minimum unassigned reserve for economic uncertainties composed of the following (stated as a percentage of County School Service Fund Expenditures):

Criteria and Standards Recommended Reserve (C&S)	4%
Government Finance Officers Association Recommended Reserve Adjustment - Two Months Expenditure Reserve - (2 Months = 2/12 =17% less C&S 4%)	13%
State Apportionment Deferral Reserve (Total State Revenues For County School Service Fund and Child Development Fund times 35%)	19%

In the event that the balance drops below the established minimum level, the County Board of Education will develop a plan to replenish the fund balance to the established minimum level within three years.

BOARD POLICY:

First/Second Reading/Adoption: 06-08-11