

FUND BALANCE POLICY

1. PURPOSE

Fund balance measures the net financial resources available to finance expenditures of future periods. 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 current and future risks such as unanticipated emergency expenditures (i.e. health epidemic), unexpected cost increases (i.e. employee benefits and other budgetary expenses), and revenue shortfalls (i.e. reductions in state aid or City funding). Maintaining a reasonable unrestricted general fund balance is also necessary to plan for future long-term employee liabilities (such as post-health insurance) and future capital project and equipment needs.

2. DEFINITION

The unrestricted general fund balance is the difference between the total fund balance less non-spendable and restricted fund balance. The unrestricted general fund balance is made up of three parts: the committed, assigned and unassigned components of fund balance.

- Committed fund balance is the portion of fund balance that represents resources whose use is constrained by limitations that the government imposes on itself at the highest level of authority (i.e.: resources accumulated due to stabilization agreements). Committed fund balance does not lapse at year-end. Formal action via resolution by the Board of Education is required to commit funds and to expend funds in the Committed Fund Balance.
- Assigned fund balance is the portion of fund balance that reflects a government's intended use of resources (i.e.: assigned for retiree health insurance costs, costs due to litigation or insurance claims, etc.). The Board of Education delegates authority to assign fund balance for a specific purpose to the Superintendent or their designee.
- Unassigned fund balance is the portion of fund balance that reflects any net resources in excess of what can be properly be classified in any of the other categories of fund balance.

3. GUIDELINES

3.1 The Board of Education recognizes that good fiscal management comprises the foundational support of the entire District. To make that support as effective as possible, the Board intends to follow Government

Finance Officer's Association ("GFOA") recommended best practice and maintain a minimum unrestricted general fund balance of 5 percent of the District's general fund annual operating expenditures, and a maximum not to exceed 15 percent. If a fund balance drops below 5 percent, it shall be recovered at a rate of 1 percent each year until the 5 percent level is attained.

3.2 For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and lastly, from the unassigned fund balance.

3.3 Should unassigned fund balance of the General Fund ever exceed the maximum 15 percent range, the District will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

This policy should be reviewed by the Board each year.

Adopted August 25, 2011 pursuant to Resolution No. 2011-12: 170.