

Book	Policy Manual
Section	Pending Policy Committee Review
Title	FISCAL PLANNING - FUND BALANCE
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6215 FISCAL PLANNING - FUND BALANCE

Fund balance measures the net current financial resources available to finance expenditures of future periods. Fund balance is the difference between assets and liabilities reported in a governmental fund. The purpose of the District's Fund Balance is to provide sufficient financial resources to provide a high level of stability in the financial operation of the Schools District.

The Board realizes its responsibility under law to maintain a balanced, non-deficit, financial condition for the District. A fund balance provides flexibility in dealing with unanticipated budget emergencies such as mid-year reductions in state funding. In addition, a fund balance will help to avoid cash flow borrowing. It is recognized that it will not always be possible to avoid borrowing to provide cash flow.

To this end, the Board will strive to maintain an appropriated and budgeted fund balance which properly considers known actual or estimated liabilities of each fund and the risk in the operating and state and local economic environment.

The administration shall, in developing each year's budget, utilize a minimum ending fund balance equal to ten percent (10%) of the General Fund's expected total expenditures and transfers. As part of the budgeting process, the Board shall annually pursue opportunities to increase the fund balance beyond the minimum ten percent (10%) threshold. If the District's General Fund fund balance falls below ten percent (10%), Administration will develop a plan to restore the established minimum fund balance. Following adoption by the Board, the Superintendent will regularly inform the Board of actual or anticipated variances that may occur during budget implementation and recommend any action that may be required to achieve the plan to be taken by the Board.

This policy has been adopted by the Board of Education, in part, to address the implications of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*.

Fund type definitions. The following definitions will be used in reporting activity in **governmental funds** across the district. The District may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

- A. The **General Fund** is used to account for all financial resources not accounted for and reported in another fund.
- B. **Special Revenue Funds** are used to account and report the proceeds of *specific revenue sources* that are *restricted or committed* to expenditure for *specific purposes* other than debt service or capital projects.
- C. **Debt Service Funds** are used to account for all financial resources restricted, committed or assigned to expenditure for principal, interest and applicable fees.
- D. **Capital Projects Funds** are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
- E. **Permanent Funds** are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's purposes.

Fund Balance Reporting in governmental funds. Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB statement No. 54:

- A. **Nonspendable fund balance**—Amounts that are not in a spendable form (such as inventory, pre-pays and non-current receivables) or are required to be maintained intact (such as the corpus of an endowment fund)
- B. **Restricted fund balance**—Amounts that can be spent only for the specific purposes stipulated by external resource providers, laws, or regulations. This would include, but is not limited to, grants, dedicated millages, bonded capital project funds, debt service funds, food service funds, special education funds or community service funds.
- C. **Committed fund balance**—Amounts constrained to specific purposes by formal action of the Board of Education. To be reported as committed, amounts cannot be used for any other purpose unless the Board of Education takes the same highest level action to remove or change the constraint. Creation, amendment or modification must be approved by formal action of the Board of Education by the end of the fiscal year. The actual amount committed may be computed subsequent to year end using prescribed methodologies.
- D. **Assigned fund balance**—Amounts *intended* to be used by the School District for specific purposes. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. The Board of Education authorizes the Superintendent or designee to determine the assigned fund balance(s) on an annual basis for the year end financial reporting. These can include, but are not limited to, the following:
 - 1. Long term obligations including, but not limited to, employee compensated absences, self insurance;
 - 2. Cash Flow requirements for the next fiscal year to limit borrowing needs;
 - 3. Building and department carry over budgets;
 - 4. Budgeted use of fund balance for next fiscal year;
 - 5. Other items allowable under Generally Accepted Accounting Principles.
- E. **Unassigned fund balance**—is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

For purposes of fund balance classification, expenditures are to be presented from Restricted Fund Balance first (when appropriate), followed in order by Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

The Board of Education delegates to the Superintendent or his/her designee, the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Legal

M.C.L. 141.1201; 141.1231-1244; 141.2101; 380.1211-1227.