

BOARD OF EDUCATION POLICY

Code: DIBA	Title: Fund Balance	Adopted: 12/14/2000	Revised: 6/21/2011	Reviewed: 6/12/2012; 1/2/2013
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FUND BALANCE

The Board of Education recognizes that maintaining an adequate fund balance in the District’s General Fund is essential to the financial stability of the District and sound fiscal management. The Board also recognizes its responsibility to ensure that the District’s fund balance resources are used properly and reported in accordance with applicable legal requirements and generally accepted accounting principles.

The purpose of an operating reserve in the General Fund is to:

1. Provide adequate working capital sufficient to meet the District’s cash-flow requirements, thus minimizing any cash-flow (short-term) borrowing during the annual operating cycle.
2. Function as a safeguard to fund unanticipated expenses that the District might incur or to fund unrealized revenue which may occur but shall not be considered available to meet recurring operational expenses.
3. Demonstrate fiscal responsibility resulting in a high credit rating, which will help to reduce District borrowing costs.

With these recognitions in mind, the Board sets forth the following policy guidelines for the use and maintenance of fund balance resources in the District:

1. **The District’s fund balance resources shall be reviewed annually to determine allocation between non-spendable, restricted, committed, assigned, and unassigned fund balance account classifications.**
 - **Non-spendable fund balance – This classification includes amounts that cannot be spent because they are either not in spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., principal balance of endowments and permanent funds).**
 - **Restricted fund balance – This classification includes amounts limited by external parties (e.g., creditors, grantors, contributors), laws or regulations, constitutional provisions or enabling legislation.**
 - **Committed fund balance – This classification includes amounts that are committed for specific purposes by formal action of the Board.**
 - **Assigned fund balance – This classification includes amounts that are intended to be used for specific purposes but are neither restricted or formally committed. Intent can be expressed by the Board or by an individual to whom the board has delegated authority.**
 - **Unassigned fund balance – This classification includes any remaining amounts in the General Fund that are not classified as non-spendable, restricted, committed or assigned.**

When multiple categories of fund balance are available for expenditure, the District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

2. A two-thirds vote of the membership of the Board shall be required to commit the use of the District's General Fund balance for a specific purpose, or to remove or change a previous fund balance commitment made by the Board. Board action to commit fund balances shall occur prior to the end of the fiscal year for which the commitment is made (June 30), however, the actual amounts to be committed can be determined in the subsequent fiscal year period.
3. The District Administrator is delegated authority to assign fund balance resources to a specific purpose in accordance with provisions of this policy or as otherwise directed by the Board.
4. The District shall strive to maintain an unassigned fund balance in the General Fund that is equivalent to minimum of ~~two~~ **four** months operating costs or ~~15~~-**25**% of total operating expenses, whichever is greater, of the anticipated General Fund expenditure budget for the subsequent fiscal year. The purpose of maintaining this fund balance is to provide the District with adequate working capital sufficient to meet cash flow requirements **reducing short-term borrowing**, serve as a safeguard against unexpected expenses or unrealized revenues, and maintain a high credit rating for the District thus reducing District borrowing costs. Should the unaudited year-end fund balance in the General Fund be below the designated minimum, the Board shall develop a plan to replenish the fund balance in the General Fund to the designated minimum level. Should the unaudited year-end fund balance in the General Fund be above the maximum designated amount, the Board shall consider a reduction in the subsequent year's tax levy.