

NOTE: The standards referred to in this article have been amended or superseded by GASB Statement 54

Fund Balance: It May Not Be What You Think It Is

The annual financial reports of state and local governments are many things to many people. They are designed to provide information that helps a wide variety of people—bond analysts and attorneys, government researchers, legislative staff, and so on—make disparate decisions and answer myriad questions. Although different types of financial statement users try to address varying concerns, certain pieces of information appear to be nearly universally valuable. Foremost among that information may be fund balance.

If fund balance is broadly useful, it is equally broadly misunderstood. Research by the GASB has found that even the most sophisticated and experienced users of governmental financial information may not agree on what fund balance actually communicates. The confusion is exacerbated by inconsistencies in how governments report fund balance. The result is that the fund balance you see in the financial statements may not mean what you think it means.

Fund Balance Basics

Most simply, **fund balance is the difference between assets and liabilities in a governmental fund.** The governmental funds account for the bread-and-butter, typically tax-supported activities of a government (as opposed to the proprietary funds, which account for self-financing, business-like activities), and include:

- The general fund, where a government accounts for everything not reported in another fund
- Special revenue funds, for reporting specific revenue sources that are limited to being used for a particular purpose
- Debt service funds, which account for the repayment of debt
- Capital project funds, which track the accumulation and use of resources for constructing, acquiring, and rehabilitating capital assets, such as buildings and roads
- Permanent funds, where a government reports principal amounts that are restricted to being invested to produce income but cannot be spent.

Resources in a fund other than the general fund are either (1) required to be used for the purpose of the fund or (2) intended by the government to be used for that purpose.

The governmental funds report information on a modified accrual basis of accounting and current financial resources measurement focus. In other words, with a few exceptions the governmental funds balance sheet reports cash and other financial resources (such as receivables) as assets and amounts owed that are expected to be paid off within a short period of time as liabilities. The fund balance in any given fund is essentially what is left over after the fund's assets have been used to meet its liabilities.

Fund balance is required to be reported in two components—reserved and unreserved. When fund balance is *reserved*, it either means that the resources are in a form that cannot be appropriated and spent (such as inventory)

or that the resources are legally limited to being used for a particular purpose. For instance, grant monies from the federal government that may be used only for building schools would be reported as reserved fund balance in the general fund or a broad capital projects fund. Governments also tend to report the nonexpendable portion of their permanent funds—the resources that can be invested but not spent—as reserved fund balance.

The portion of fund balance that is not reserved is fittingly called *unreserved* fund balance. It represents resources that can be used for any purpose of the fund they are reported in. Unreserved fund balance in a debt service fund can be used to repay any outstanding debt. Unreserved fund balance in the general fund can be used for any purpose at all.

Governments may report *designations* of their unreserved fund balance. Although unreserved fund balance is not legally limited to any specific purpose, a government may designate some unreserved fund balance to express its *intention* to use available resources in a particular manner. A designation is not legally binding but does convey a government's plans for using its available resources. Reporting designations is optional and only about half of governments studied by the GASB did so.

The fund balance section of a government's balance sheet might look like this:

Figure 1. Sample Fund Balance Section of a Governmental Funds Balance Sheet

	General Fund	Major Special Revenue Funds Transportation Fund	School Aid Fund	Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
Fund balances:							
Reserved for:							
Encumbrances	\$ 69,319	\$ 42,615	\$ —	\$ —	\$ —	\$ 2,354	\$ 114,288
Long-term receivables	37,000	—	—	—	—	—	37,000
Inventory	104,500	50,763	1,095	—	—	2,042	158,400
Pothole repair	—	102,770	—	—	—	—	102,770
Social services	241,563	—	—	—	—	—	241,563
Law enforcement	—	—	—	—	—	35,426	35,426
Parks and recreation	78,950	—	—	—	—	—	78,950
Education	54,125	—	—	—	—	—	54,125
School construction	—	—	—	—	313,654	—	313,654
Capital projects	—	—	—	—	143,135	—	143,135
Other purposes	61,562	—	—	—	—	—	61,562
Unreserved:							
Designated, reported in:							
General fund	697,962	—	—	—	—	—	697,962
Special revenue funds	—	193,975	—	—	—	108,025	302,000
Capital projects funds	—	—	—	—	123,456	—	123,456
Undesignated, reported in:							
General fund	629,708	—	—	—	—	—	629,708
Special revenue funds	—	163,051	119,155	—	—	224,639	506,845
Debt service funds	—	—	—	364,153	—	12,345	376,498
Capital projects funds	—	—	—	—	754,201	—	754,201
Total fund balances	\$1,974,689	\$ 553,174	\$ 120,250	\$ 364,153	\$1,334,446	\$ 384,831	\$4,731,543

The Relationship of Fund Balance to Its Fund

Fund balance information should be interpreted in the context of the particular fund it is reported in, rather than from the perspective of all funds or of the entire government. Any legal limitation imposed on how resources in the general fund may be used would be reported as reserved fund balance, because resources in the general fund are available for any purpose. However, because resources in another governmental fund are already limited to or

intended for the purpose of that fund, reserved fund balance communicates *an additional limitation* on how resources can be used that is *more specific* than the purpose for which the fund was created. This subtlety, which has a significant impact on how fund balance is interpreted, is not well understood by many users, preparers, and auditors of financial statements.

Consider a special revenue fund created to account for a motor vehicle fee that is legally restricted to being used only for transportation purposes. A point of contention is how unreserved fund balance in that fund should be understood. Based on the current standards, it can be asserted that the intent of the unreserved account is to report the amount available to be used for any *transportation* purpose, rather than an amount available for *any* purpose the government chooses. If fund balance is reserved in that fund, it means that a legally-binding limitation has been placed on some of the fund's resources for a specific transportation activity, program, or project. The reservation conveys that, although all resources in the fund can only be used for transportation purposes, the reserved resources can legally be used only for *certain* transportation purposes.

Figure 2. Examples of How Reservations Relate to the Purpose of the Fund

	How Resources Would Be Reported in:		
	General Fund	Broad Capital Projects Fund	School Construction Fund
State government grant to a locality for school construction	Reserved for school construction	Reserved for school construction	Unreserved

	How Resources Would Be Reported in:		
	General Fund	Broad Debt Service Fund	Highway Debt Service Fund
Federal grant to pay for debt service on highway projects	Reserved for highway-related debt	Reserved for highway-related debt	Unreserved

	How Resources Would Be Reported in:		
	General Fund	Public Safety Special Revenue Fund	Police Special Revenue Fund
Property tax surcharge restricted to financing police protection	Reserved for police	Reserved for police	Unreserved

Most respondents to a GASB survey of financial statement users did not understand that fund balance was intended be interpreted within its fund. Only three out of ten respondents correctly answered that a limitation consistent with the purpose of the fund, but not more specific, *does not* lead to reserved fund balance. But they were

not alone. When asked to describe the criteria they use to decide when fund balance should be reported as reserved, very few of the government finance officers surveyed recognized the distinction either.

The consequences of this misunderstanding can be seen in financial statements. A review by the GASB of nearly 200 financial reports found that more than half of the governments reserved the *entire* fund balance of at least one fund and more than one-third did so for two or more funds. To appropriately reserve all of a fund's fund balance, the fund would have to be broadly defined and all of the resources it contains would have to be legally limited to more specific purposes. For instance, if a government has a single capital projects fund to report all of its capital construction activity and all of the resources in the fund are legally limited to being used for particular individual capital projects (a specific bridge project or the purchase of a fire truck) or types of capital projects (bridge reconstruction projects or firefighting equipment), then it would reserve all of that fund's fund balance. However, such circumstances are more the exception than the norm. Therefore, it is likely that most of those governments that reserved all of a fund's fund balance were not aware that the broader level of use limitation should be inferred from the fund itself. Of course, this misunderstanding could be traced to a lack of clarity in the current standards.

Figure 3. The Meaning of Unreserved Fund Balance

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Permanent Fund
Unreserved fund balance represents resources that can be used for...	Any purpose at all	Any purpose consistent with the restriction placed on the fund	Repaying any outstanding debt	Financing any capital project	Any purpose stipulated by the provider of the nonex-pendable corpus

Although this issue may seem esoteric, it can have a significant impact on the user of the financial statements. If the accounting standards are applied based on the intent described above, a financial statement user should not conclude that unreserved fund balance in any fund other than the general fund can be used for any purpose. One should realize that those resources are available only for the purpose of the fund they are reported in. If a government reserves all of a fund's fund balance, the reader of the balance sheet may come away believing there is no flexibility in how those resources can be used, when in fact there is.

So, could the GASB solve these problems simply by clarifying this point? While doing that might be helpful, it would be a partial solution. The users of financial statements look to the fund balances of governmental funds because they know from experience that they can find generally available resources there. It is popularly believed that some governments transfer resources from the general fund to another governmental fund although they do not intend to use the resources for the purpose of that fund. This may be done in order to minimize the size of the fund balance in the general fund.

It is very difficult to identify when this has happened by looking at the financial statements; even if such resources are reported as unreserved, you cannot distinguish between the available resources that belong in the fund and those that reside there temporarily. The public may be helped by a provision of GASB Statement No.

38, *Certain Financial Statement Note Disclosures*, requiring governments to provide information about the resources they transfer between funds. The standards require governments to describe the general reasons why they made transfers between funds and to present the actual amounts transferred between each of the fund columns in the governmental and proprietary funds financial statements. Governments should also specify the amounts and intended purposes of significant transfers that do not occur routinely or are inconsistent with the activities of the fund making the transfer, such as a transfer from a capital projects fund to the general fund.

Other Fund Balance Issues

Many of the respondents to the GASB's survey of users commented that they were unsatisfied with the level of detail with which governments report reserved and designated fund balance. This is borne out in both the GASB's survey of finance officers and its financial statement review. A sizeable percentage of reserved fund balance is reported with nondescript labels such as "subsequent year's expenditures," "other," "specified programs," and "continuing appropriations." It is also common for large portions of fund balance in capital projects funds to be reported simply as "reserved for capital projects" without any further explanation; similarly, fund balance in debt service funds is often reported as "reserved for debt service." Such titles convey little information to the financial statement user about the nature of the limitations placed on a government's resources.

In the financial statements of local governments other than counties reviewed by the GASB, the combination of unspecified reservations and reservations for capital projects or debt service in general averaged 50 to 60 percent of reserved fund balance. For county governments, 59 percent of reserved fund balance in the general fund had no specific categories, and the combination of unspecified reservations and reservations for capital projects or debt service in general averaged 70 to 84 percent of reserved fund balance in the other funds.

Detail is an equally serious problem for designations, which often carry titles such as "designated for future appropriations." By definition, *all* fund balance that is in a spendable form is available for appropriation in the future, so such a designation is meaningless. It serves only to shrink the size of the unreserved-undesignated fund balance. Although less than 5 percent of the designated fund balance of the general funds of the respondents to the GASB's preparer survey was unspecified, the proportion rose to 56 percent of designated fund balance in the major special revenue funds, 18 percent in the major capital projects funds, and 60 percent in the nonmajor funds. Furthermore, 100 percent of the designated fund balance in the major debt service funds was designated "for debt service" and 80 percent of the designated fund balance in the major capital projects funds was designated "for capital projects." The review of financial reports found that almost 75 percent of the designated fund balance of county governments lacked detail, and it was almost 77 percent for other local governments.

Although unreserved-undesignated fund balance is an essential number for many financial statement users—71 percent of the respondents to the GASB survey rated it "very important"—most governments do not report designations. The GASB found that 38 percent of the financial statements it reviewed displayed designations on the face of the balance sheet, 3 percent included designations in the notes, and 6 percent combined display and disclosure—but 53 percent did not report designations at all. This presents a significant comparability problem.

The GASB Fund Balance Reporting Project

The GASB has been working to improve the comparability of the fund balance information reported in financial statements and to make it more useful to the public. The GASB plans to issue a document later this year—an Invitation to Comment—that will suggest improvements to current accounting and financial reporting standards. One area the GASB has concentrated on is clarifying the definitions of governmental fund types in order to emphasize that when resources are transferred to another governmental fund, the government plans to use those

resources for the purpose of that fund—it is not temporarily reporting the resources in that fund. The government may be able to call those resources back if a project is completed under budget or there is a financial pinch; however, barring an emergency or unexpected change in plans, a financial statement user should be able to presume that resources in a debt service fund will be used to repay debt, for instance.

The GASB is considering possible ways to improve the level of detail with which reservations and designations of fund balance are reported. The GASB also is contemplating making the reporting of designations mandatory in order to make fund balance information more comparable from government to government and to provide the public with the unreserved–undesignated fund balance number it prizes.

The centerpiece of the Invitation to Comment will be a set of alternative approaches to reporting fund balance, each of which will emphasize a particular kind of fund balance information that financial statement users have indicated they consider useful. The GASB plans to survey users to assess which approach would offer the most useful information.

What You Can Do in the Meantime

Until the standards for fund balance reporting have been revised, it is advisable to use fund balance information with some caution. To begin with, you need to understand the purpose of the funds a government reports. The summary of significant accounting policies, which is usually the first note disclosure, should include a description of the funds that are shown individually in the financial statements. Governments that include combining schedules in their financial reports showing each of the smaller funds that are aggregated under the heading “other governmental funds” or “non-major funds,” typically will describe those funds on the pages preceding the schedules. Understanding how broadly or narrowly a fund’s purpose is defined will help you to understand what is communicated by the reservations and designations of its fund balance.

If there is scant detail regarding reservations and designations, check the notes to the financial statements. Some governments provide additional detail there. You may also find some clues in the section of management’s discussion and analysis (MD&A, the narrative section preceding the financial statements) that analyzes fund information. Failing that, contact the government. MD&A is required to include information about how to contact the government’s finance officials. Ask them if there is any backup detail available for broad reservations and designations like “other.” You can ask what specific projects or programs, if any, the reservations and designations relate to. You might also ask if there are any generally available resources outside of the general fund and where they might be found.

Finally, take a look at the new disclosure about interfund transfers. The disclosure of information about significant transfers that do not occur routinely or are inconsistent with the activities of the transferring fund may help to identify instances of unusual financial activity between funds, such as resources being temporarily transferred out of the general fund.

CORDOVA SCHOOL DISTRICT

General (School Operating) Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year Ended June 30, 2018

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	Original Budget	Final Budget	Actual	Variance
Revenues:				
Federal sources	\$ 47,000	49,000	46,676	(2,324)
State sources	4,483,063	4,484,566	4,483,085	(1,481)
Local sources	1,910,150	1,777,000	1,774,767	(2,233)
Total Revenues	6,440,213	6,310,566	6,304,528	(6,038)
Expenditures:				
Current:				
Instruction	2,737,533	2,737,533	2,729,328	8,205
Special education instruction	643,607	643,607	575,562	68,045
Special education support services - students	42,750	42,750	66,444	(23,694)
Support services - students	121,113	121,113	120,457	656
Support services - instruction	490,343	490,343	458,328	32,015
School administration	288,407	288,407	296,845	(8,438)
School administration school services	209,933	209,933	217,945	(8,012)
District administration	275,158	275,158	278,176	(3,018)
District administration school services	319,783	319,783	327,153	(7,370)
Operations and maintenance of plant	861,262	861,262	908,542	(47,280)
Student activities	303,000	319,050	324,677	(5,627)
Total Expenditures	6,292,889	6,308,939	6,303,457	5,482
Excess of Revenues Over (Under) Expenditures	147,324	1,627	1,071	(556)
Other Financing Sources:				
Transfers out	-	-	-	-
Net Change in Fund Balance	\$ 147,324	1,627	1,071	(556)
Fund Balance, beginning of year			746,881	
Fund Balance, end of year			\$ 747,952	

CORDOVA SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2018

DRAFT

	Major Funds			Total
	General	Capital	Nonmajor	Governmental
	Fund	Project	Funds	Funds
		Fund		
Assets:				
Cash and cash equivalents	\$ 1,591,250	-	182,651	1,773,901
Due from other governments:				
State of Alaska	-	-	147,777	147,777
Accounts receivable	62,792	-	-	62,792
Inventory	28,126	-	22,688	50,814
Due from other funds	-	662,810	253,678	916,488
Prepaid items	150,756	67,919	2,177	220,852
Total Assets	\$ 1,832,924	730,729	608,971	3,172,624
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 19,849	-	-	19,849
Payroll accruals and liabilities	19,541	-	-	19,541
Due to student activity agency fund	242,151	-	-	242,151
Due to other funds	803,431	-	113,057	916,488
Total Liabilities	1,084,972	-	113,057	1,198,029
Fund Balances:				
Nonspendable	178,882	67,919	24,865	271,666
Restricted	-	-	198,312	198,312
Assigned	-	662,810	275,110	937,920
Unassigned	569,070	-	(2,373)	566,697
Total Fund Balances	747,952	730,729	495,914	1,974,595
Total Liabilities and Fund Balance	\$ 1,832,924	730,729	608,971	3,172,624

See accompanying notes to basic financial statements.

Fund Balance = Assets - Liabilities

**Monthly Fund Balance Report
as of October 31, 2018 *Corrected***

Fund	Beginning Fund Balance	Revenues YTD	Expenses YTD	Adjusted Fund Balance
100 - General Fund	748,014	1,895,333	1,623,464	1,019,882
205 - Pupil Transportation	173,084	42,047	4,746	210,386
220 - DVR Summer Work Program	25,464	4,694	6,923	23,235
237 - Window Replacement	13,000	-	-	13,000
240 - DOE Travel Reimbursement	41	-	4,656	(4,615)
249 - Other Small Grants	328	2,809	299	2,838
255 - Food Service	83,869	69,708	117,250	36,327
256 - Fresh Fruit and Vegetables	-	1,790	1,530	260
261 - Title IA - Basic	-	-	13,707	(13,707)
263 - Title IC - Migrant Ed Regular	-	-	16,950	(16,950)
264 - Title IC - Migrant Ed Summer	-	-	1,731	(1,731)
266 - Title IIA - Teacher and Principal	-	-	776	(776)
268 - Title III-A Immigration	-	-	11,726	(11,726)
271 - Safe Children's Act	2,453	-	-	2,453
272 - Early Literacy K-3	721	-	-	721
278 - Carl Perkins	-	-	634	(634)
280 - Title VI-B	-	-	12,912	(12,912)
282 - 619 Preschool Disabled	-	-	645	(645)
350 - Indian Education	-	-	9,869	(9,869)
355 - REAP	-	-	2,441	(2,441)
374 - AK Public Entity Safety	(196)	4,000	2,000	1,804
550 - Capital Projects - Other*	730,730	-	217,777	512,953
700 - CHS Student Scholarships	198,312	-	(500)	198,812
710 - Student Accounts	1,123	399,781	104,962	295,943
Total	1,976,944	2,420,161	2,154,496	2,242,609

* See "Capital Projects - Fund 550" Report for details.

Note: Balances are all pre-audit.

Alaska Department of Education & Early Development
FY2017 School Operating Fund - Fund Balance Schedule for AS 14.17.505, 4 AAC 09.160.
Updated October 2, 2018

The reserved/unreserved classification is state of Alaska terminology. Governmental Accounting Standards require that Fund Balance be displayed in the following classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. Additional presentation supporting fund balance is included in individual financial statements.

School District	Audited Expenditures	Fund Balance	4 AAC 09.160 Reserved (Note 1) Fund Balance	4 AAC 09.160 Unreserved Fund Balance	4 AAC 09.160 Percentage Unreserved	Amount Over 10%
Alaska Gateway	\$ 9,515,043	\$ 1,230,571	\$ 554,656	\$ 675,915	7.104%	0
Aleutian Region	1,921,896	256,580	256,580	-	0.000%	0
Aleutians East	8,213,265	2,223,154	2,223,154	-	0.000%	0
Anchorage	610,134,302	116,374,733	56,063,347	60,311,386	9.885%	0
Annette Island	6,875,612	5,466,743	4,825,134	641,609	9.332%	0
Bering Strait	53,828,946	14,443,687	11,439,619	3,004,068	5.581%	0
Bristol Bay	3,348,748	365,410	106,095	259,315	7.744%	0
Chatham	4,445,553	534,684	218,580	316,104	7.111%	0
Chugach	3,977,507	737,774	545,645	192,129	4.830%	0
Copper River	6,335,841	1,274,555	642,199	632,356	9.981%	0
Cordova	6,330,016	746,881	155,932	590,949	9.336%	0
Craig	6,636,102	1,241,860	734,814	507,046	7.641%	0
Delta Greely	10,867,017	1,677,566	630,444	1,047,122	9.636%	0
Denali	9,432,187	1,222,234	904,392	317,842	3.370%	0
Dillingham	9,075,215	1,550,498	697,539	852,959	9.399%	0
Fairbanks	205,132,527	33,660,773	13,325,219	20,335,554	9.913%	0
Galena	24,884,747	5,684,493	3,316,141	2,368,352	9.517%	0
Haines	4,897,958	488,955	170,481	318,474	6.502%	0
Hoonah	3,248,160	153,557	8,430	145,127	4.468%	0
Hydaburg	1,918,394	125,949	10,174	115,775	6.035%	0
Iditarod	7,489,843	1,520,061	938,309	581,752	7.767%	0
Juneau	70,191,916	5,710,883	86,285	5,624,598	8.013%	0
Kake	2,829,072	651,320	379,267	272,053	9.616%	0
Kashunamiut	7,830,590	2,970,870	2,800,968	169,902	2.170%	0
Kenai Peninsula	139,310,231	14,554,926	3,475,231	11,079,695	7.953%	0
Ketchikan	34,543,443	2,536,859	-	2,536,859	7.344%	0
Klawock	3,274,009	1,356,026	1,253,423	102,603	3.134%	0
Kodiak	47,268,078	4,701,643	2,067,367	2,634,276	5.573%	0
Kuspuk	12,560,845	5,112,131	3,860,103	1,252,028	9.968%	0
Lake & Peninsula	14,742,711	3,580,010	2,158,577	1,421,433	9.642%	0
Lower Kuskokwim	118,585,004	16,429,273	8,591,346	7,837,927	6.610%	0
Lower Yukon	48,213,959	24,783,993	20,938,204	3,845,789	7.977%	0
Mat-Su	246,964,210	11,782,705	4,694,219	7,088,486	2.870%	0
Nenana	7,652,476	565,623	468,992	96,631	1.263%	0
Nome	14,414,191	1,770,257	524,754	1,245,503	8.641%	0
North Slope	62,099,992	14,384,955	11,981,560	2,403,395	3.870%	0
Northwest Arctic	58,728,795	12,566,160	9,887,396	2,678,764	4.561%	0
Pelican	555,685	51,616	3,815	47,801	8.602%	0
Petersburg	8,272,151	1,036,815	240,863	795,952	9.622%	0
Pribilof	2,205,148	926,305	773,918	152,387	6.911%	0
Saint Mary's	4,119,682	940,467	555,275	385,192	9.350%	0
Sitka	21,749,414	1,746,388	64,139	1,682,249	7.735%	0
Skagway	2,636,234	218,731	53,941	164,790	6.251%	0
Southeast Island	7,069,761	346,957	53,339	293,618	4.153%	0
Southwest Region	17,781,563	6,483,446	4,981,791	1,501,655	8.445%	0
Tanana	1,553,577	195,870	46,830	149,040	9.593%	0
Unalaska	7,580,871	1,298,964	771,169	527,795	6.962%	0
Valdez	13,968,296	1,043,421	22,503	1,020,918	7.309%	0
Wrangell	5,174,752	549,941	63,231	486,710	9.405%	0
Yakutat	1,998,530	196,050	7,553	188,497	9.432%	0
Yukon Flats	8,771,675	2,736,925	1,859,752	877,173	10.000%	0
Yukon Koyukuk	17,136,304	4,374,485	3,077,743	1,296,742	7.567%	0
Yupit	12,412,479	4,847,750	4,282,597	565,153	4.553%	0
Statewide Totals	\$ 2,020,704,523	\$ 341,432,483	\$ 187,793,035	\$ 153,639,448	-	-

SOURCE OF DATA: FY2017 SCHOOL DISTRICT AUDITS

Note 1: Alaska Regulation 4 AAC 09.160 (eff. 6/19/2011) defines RESERVED Fund Balance to include encumbrances, inventory, pre-paid expenses (which may include fuel reserves), self-insurance, federal impact aid received, and unexpended annual student allotment provided under AS 14.03.320(c).

Food Service Fund

Income Statement by Year

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Revenue						
Local	55,600	53,360	69,374	55,159	60,564	86,354
USDA	232,753	226,654	251,768	254,729	239,929	229,206
Total Revenue	288,353	280,014	321,142	309,888	300,493	315,560
Expenditures						
Personnel	231,768	227,991	214,562	210,267	201,619	185,621
Travel	1,223	1,492	883	1,815	2,109	898
Supplies/Food	180,382	163,809	206,183	148,702	173,471	182,301
Equipment	-	-	19,549	-	-	-
Total Expenditures	413,373	393,292	441,177	360,784	377,199	368,820
Over (Under)	(125,020)	(113,278)	(120,035)	(50,896)	(76,706)	(53,260)
Transfers In	-	59,339	113,000	50,000	220,000	75,000
Beginning Balance	207,725	261,664	268,699	269,595	126,301	104,561
Ending Balance	82,705	148,386	148,664	218,699	49,595	51,301

Best Practices in School Budgeting

1A – Develop Principles and Policies to Guide the Budget Process

Plan and Prepare Phase

SUMMARY

Prerequisite Best Practices: None

Key Points

- Budget principles are general guidelines that a district intends to honor through its budget process. Principles are not technical and can be understood and appreciated by all members of the organization and the public. By adopting budget principles, a district's decision makers can create overarching values to help frame and guide budget deliberations. Examples of principles a district might adopt include: "Goals for Student Achievement Should Drive the Budget Process" or "Base Resourcing Decisions on the Total Value Created for Children." This Best Practice describes other principles that districts might consider as well as more specific elements behind each principle.
- Budget policies clarify a district's intention on how it will manage its resources by identifying acceptable and unacceptable course of financial action, establishing parameters in which the district can operate, and providing a standard against which the district's fiscal performance can be judged. Budget policies are often technical in nature, and thus require some budgeting acumen to develop and implement. A district is recommended to have policies related to its general fund reserve, response to financial emergency, long-term forecasting, asset maintenance and replacement, budgeting and management of categorical funds, budgeting for staff compensation, review and sunseting of programs, definition of a "balanced budget," year-end savings, and funding for new programs.

Related Award Program Criteria

- Criterion 1.A.1: Budget Principles. A set of principles should be formally adopted by the board and should be submitted as Supplementary Materials. The principles should address, at a minimum, the concepts outlined in the Best Practice
- Criterion 1.A.2: Policies (Mandatory). The board should formally adopt a set of budget policies that should be submitted as Supplementary Materials and that should be summarized in the Budget Document. At a minimum, the policies should address the policy topics recommended by the Best Practice.

Introduction

Developing a budget that optimally aligns resources with student achievement will, for many school districts, entail making significant changes in how resources are spent. Therefore, many long-standing assumptions about how to best develop a budget may need to be changed. A set of principles and policies, agreed to by the school board and the staff before the budgeting process begins, can provide a touchstone for what matters most in the budgeting process – creating the most student learning with the money available.

Budgeting principles and policies should be developed collaboratively by the district's school board and the staff members who develop and recommend the budget. Because both parties have integral roles in

developing, adopting, and, ultimately, implementing a budget, both parties must strongly support the principles and policies underlying the budget.

This Best Practice document describes:

- I. Principles to consider.
- II. Policies to consider.

I. Principles to Consider

Background. Budgeting principles set forth the ideals that the district’s decision makers will adhere to as they develop the budget and can help counteract the tendency to induct short-term emotion into decisions that have long-term consequences.¹ Principles are important for creating a shared understanding of the overarching values that underpin budget development. Finally, because principles are broader ideas about what the budget process ought to look like, they are more accessible to elected officials and the public than budget policies, which are more technical.

Recommendation. The GFOA recommends that districts develop and adopt a set of budget principles to help frame and guide budget deliberations. Below are a number of principles that a district’s board and staff should consider discussing in order to determine how these concepts might fit into a district’s own budgeting principles. Districts also may also consider other principles that support the goal of optimizing student achievement, besides those listed below.

Goals for Student Achievement Should Drive the Budget Process

Clear goals for student achievement should guide how resources are allocated.² Tracking progress or making tough budget decisions to prioritize programs and strategies is impossible without specific goals.³

Decisions Should be Driven by Data

Making decisions that will impact the future of children can raise emotions, leading to “gut” decisions – decisions that don’t optimize student achievement for the available money.⁴ Here are examples of more specific elements of this principle that a district should consider:

- **Select programs and service providers based on student outcomes.** Programs and providers that have a demonstrated track record of success in achieving the district’s desired learning outcomes for students should be prioritized for funding.
- **Adhere to evidence based-decision making.** Ideally, a district will adopt a decision-making framework that is centered on evidence of what works. For example, “response to intervention” (RTI⁵) is a well-known model to help struggling students. RTI emphasizes regular monitoring of student progress, reliance on rigorously tested and proven instructional methods, and use of data to make decisions on educational strategies.

Base Resourcing Decisions on the Total Value Created for Children

The budget process should seek to allocate available dollars optimally, in a way that will create the most benefit for children given the costs – in other words, the best value. Here are examples of more specific elements of this principle that a district should consider:

- **Prioritize strategies and programs with proven cost-effectiveness.** Strategies and programs that have proven to produce larger gains in student learning relative to their cost should be given priority for funding.⁶

- **Make student-centered decisions.** Budget decisions should be based on what is best for children, not adults. In many cases, there is pressure to develop a budget that puts the interests of adult stakeholders above the interests of students. That priority should be reversed.
- **Be flexible about class sizes.** Decisions about class size are one of the biggest draws on the educational budget because of the staffing implications. Research has not shown a clear, general linkage between class size and student performance (except for modest impacts in grades K-3).⁷ Using scarce resources to make small reductions in class sizes is expensive and may not produce much value.⁸
- **Ensure there are sufficient resources for “Tier 1” support strategies.** Under RTI, Tier 1 comprises the core curriculum, with instructions and within class differentiation targeting all students. Tier 1 includes both core instruction and ongoing, comprehensive, and systemic professional development, as well as school-based instructional coaches who work with collaborative teacher work teams to improve instructional practice through the use of student data.
- **Ensure there are some resources for the most impactful “Tier 2” strategies and ESL/ELL children.** Under RTI, Tier 2 comprises supplementary interventions for students who do not perform within the expected parameters through Tier 1 instruction. Tier 2 covers all students, but most importantly the extra help or interventions made available by federal Title I and state compensatory education programs. English as a Second Language/English Language Learners (ESL / ELL) also require additional support.

Critically Re-Examine Patterns of Spending

PK-12 budget processes are typically “incremental,” where last year’s spending becomes the basis for the next year’s budget, with incremental changes made around the margin. However, past patterns of spending may no longer be affordable or even relevant given changing needs of the community and student body. Hence, the budget process should encourage review of past spending decisions and critically change, where necessary.⁹ Another specific principle to consider includes:

- **Develop and implement a program review and sunset process.** A district should develop and adhere to a process to identify and discontinue programs that are not achieving their objectives or that are simply not as cost effective as available alternatives.

Ensure Equality of Opportunity for Students

School districts must make sure every student is given an equal chance to succeed.¹⁰ As it relates to the budget process, this means promoting equality in funding among the general student population, while providing extra support for struggling students to also provide them with the opportunity to succeed. For example, for districts using a site-based budgeting model, per-pupil allocations can be weighted based on student need. For districts not using a site-based model, the district should identify groups in need of additional assistance and allocate additional resources as necessary.

Take a Long-Term Perspective

Many districts will not be able to make large changes to their educational strategy and resource allocation patterns within a single year. Further, a consistent application of proven strategies over a multi-year period will deliver better results. Therefore, to the degree possible, districts should develop and adhere to a multi-year funding plan for their strategies, with the goal of fully funding and re-aligning resources where necessary to fund high priority elements of the strategies.¹¹

Be Transparent

Effective budgeting requires valid information about the true costs of serving students and the outcomes produced for students. More specific principles to consider include:

- **Make performance data readily available.** The budget process should be informed by valid and reliable data on fiscal and academic performance.
- **Consider all costs in evaluating the cost of educating students.** A full cost accounting approach should be taken in evaluating the classroom and non-classroom costs of educating students. In both setting and reducing budgets, the full cost of educating students should be considered.¹²
- **Use a consolidated budget.** The budgeting process should consider all available funds. The process also should acknowledge constraints on categorical spending, but should consider all available monies to make the most impact with the available dollars.¹³
- **Be clear on what actions are being funded.** Budgets are sometimes solely focused on what inputs are being funded – salaries, benefits, commodities, etc. The budget should make it clear what actions are being funded to help the district to reach its student achievement goals - not just line items and broad expenditure categories.

II. Policies to Consider

Background. Budget policies clarify and crystalize the intent behind how the district will manage its financial resources. While districts should always comply with relevant laws and regulations promulgated by federal and state government, laws and regulations alone do not provide sufficient guidance for the board and staff to work in together, optimally, towards the district's goals. Policies go further by establishing local standards for acceptable and unacceptable courses of financial action, parameters in which the school district can operate, and a standard against which the district's fiscal performance can be judged.

Recommendation. The GFOA recommends that districts develop and adopt policies in the areas described below. A district is encouraged to consider other policies that could support its budgeting and financial planning as well,¹⁴ but the policies described below are those that should be developed as a foundation.

Politics and Policies

Adopting financial policies is a not just a technical exercise – it is also a political matter. A good process for developing and adopting policies can help facilitate a constructive conversation. The GFOA book *Financial Policies* discusses the process for developing and adopting policies in detail.

General Fund Reserve

School districts should establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund as a reserve to hedge against risk. The policy should address, at a minimum: the target level of fund balance to maintain; the appropriate uses of fund balance; who can authorize the use of fund balance; and guidance on how fund balance will be replenished to target levels after it has been used.

With respect to the target level of fund balance to maintain, the adequacy of unrestricted fund balance in the general fund should be assessed based upon a district's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that school districts, maintain unrestricted fund balance in their general fund of no less than 10 percent of regular general fund operating revenues or regular general fund operating expenditures and operating transfers out (if applicable). The choice of revenues or expenditures as a basis for the reserve amount may be dictated by what is more predictable in a district's particular circumstances. In determining the right level of unrestricted fund balance for its precise circumstances, a district should analyze the risks that it faces and establish reserve levels commensurate with those risks.

Financial Emergency Policy

School districts should adopt a policy that provides guidelines on how to respond to a financial crisis. The policy should address, at a minimum: the definition of a "financial emergency;" who invokes the

policy when a crisis occurs; designating authority for managing the crisis; provide authorization to place a freeze on hiring and purchases and to use other retrenchment tactics; direct staff to develop monitoring and reporting tools to manage the crisis; direct staff to diagnose the reasons for the crisis and to present a financial recovery plan to the board; and, finally, direct staff to conduct a root cause analysis of the crisis and present the board with strategies to prevent a recurrence of the crisis.

Long-Term Forecasting

A policy should direct staff to develop long-term revenue and expenditure forecasts (typically covering three to five years) as part of the budget process and to consider these forecasts during budget development in order to address the district's future financial position. The policy should also direct the development of long-term enrollment forecasts in order to support financial decision making, including, where practical, trend analysis for students in categories that cost more to educate such as students in poverty, special needs, and English Language Learners.

Asset Maintenance & Replacement

School districts should adopt policies that govern maintenance and replacement for its facilities as well as its shorter-lived assets such as buses, textbooks, and technology. As a basic rule, the policy should direct that all assets will be maintained at a level that protects capital investment and minimizes future maintenance and replacement costs. The policy should commit the district to maintaining an inventory of its maintenance/replacement needs and define the funding mechanisms for staying current with those needs.

Budgeting and Management of Categorical Funds

School districts receive general tax revenue (e.g., property taxes, sales and use taxes, general state allocations) that can be used largely at the discretion of the school district and categorical funds (e.g., Title I, Individuals with Disabilities Education Act (IDEA), Carl Perkins) that are intended for more specific purposes. Often, in a well-meaning effort to remain compliant with governing laws and grant regulations, a substantial barrier between categorical and general funds is created. This divide presents challenges for school districts. Money may be spent on duplicate resources, spending may be fragmented among incoherent initiatives, and district managers may have little understanding of the true breadth of resources available for increasing student learning. A school board policy should direct that all district spending be reflected in the budget and that staff make every possible effort to realize scale and coherence in the use of discretionary and categorical funds.

Budgeting for Staff Compensation

The GFOA recommends that school districts adopt a policy to require budgeting the cost of positions by the full cost of the compensation for that position (salary plus benefits), rather than just salary costs. This provides a more accurate picture of the true cost of human resources and enables more informed decision making on how to provide services to children.

School districts often use a position's average compensation costs across the entire district to budget that position's cost at individual school sites. The drawback of this approach is that it obscures differences in teacher experience and/or effectiveness between school sites. Hence, the GFOA recommends that districts adopt a policy that requires the district to take steps to recognize these potential inequities either by budgeting according to actual salaries or by supplementing budget allocations based on average salary with statistics that describe the levels of teacher experience and/or effectiveness at each school site (e.g. average years of teacher experience).

Program Review and Sunset, Alternative Service Delivery

Districts should adopt a policy of regularly reviewing their programs/services with the objective of identifying programs/services that are not cost-effective and repurposing the funds. The policy should

establish a minimum for how often such a review will be formally conducted. The GFOA recommends that a review should occur as part of a district’s budget process.

A complement to a program review and sunset policy is a policy on alternative service delivery. A policy on alternative service delivery should state a district’s willingness to consider other approaches to providing services, including educating students beyond traditional models using in-house staff. A policy should clarify the criteria that will be used to evaluate an alternative service delivery proposal.

Definition of a Balanced Budget

While state statutes will require school districts to adopt a balanced budget, the statutes are often vague such that a budget that is balanced by the definition of the statute may not be, in fact, sustainable over time. For example, selling assets or using reserves may be considered acceptable means of balancing the budget, but is not sustainable on an ongoing basis. Therefore, school districts should adopt a policy with a more rigorous definition of a balanced budget. The GFOA uses the term “structurally balanced budget” to describe a budget where recurring revenues equal or exceed recurring expenditures, and recommends that governments adopt rigorous policies, for all operating funds, aimed at achieving and maintaining a structurally balanced budget.¹⁵ The policy should include parameters for achieving and maintaining structural balance where recurring revenues are equal to recurring expenditures in the adopted budget.

Year-End Savings

It is not uncommon for a school or department to spend less than its entire allocation and have funds remaining at fiscal year-end. A policy should define what happens to those funds. Often, those funds are rescinded and reallocated in the next budget. However, this can encourage a “use it or lose it” mentality among budget managers. The GFOA recommends that districts develop policies that encourage a more strategic use of underutilized funds. For example, a policy may provide for a carryover from one year to the next. Carryover continues funding authority for a limited additional time period, usually on a case-by-case basis. This allows central management to grant carry-over authority where there is a clear justification or to rescind spending authority when the funds could be better used elsewhere. It may also be possible to develop policies for joint decision making between central office and school/department managers to identify constructive mutually beneficial uses of year-end savings. For example, a policy might state that budget carryovers and the associated spending will be considered more favorably when they are consistent with a comprehensive business plan or result in financial savings to the district.

Funding New Programs

As districts look for new ways to improve student learning, they will need to fund new programs and initiatives. Given that new programs are often at a natural disadvantage when competing with existing programs for funding, school districts should develop policies that describe how the district will fund and manage new programs. These policies should encourage practices that support budgeting decisions that best align resource allocation with improving student achievement, such as establishing a preference for “pilot” or “experimental” periods for new programs and estimation of cost and benefits up-front, followed by rigorous evaluation of actual results after a defined period.

Endnotes

¹ Chip Heath and Dan Heath. *Decisive: How to Make Better Choices in Life and Work*. (New York: Crown Business, 2013)

² See Best Practice in School Budgeting, 2A – Develop Goals, for more information.

³ Quoted from Allan R. Odden and Lawrence O. Picus, *School Finance: A Policy Perspective*, 5th ed. (New York: McGraw-Hill, 2014).

⁴ Alan M. Blankstein designates “data-based decision making for continuous improvement” as one of his six principles that advance student achievement in highly effective schools. See Alan M. Blankstein, *Failure is Not an Option*, 3rd ed. (Thousand Oaks, CA: Corwin-Sage, 2013).

⁵ Response to intervention can be abbreviated “RTI” or “RtI,” both of which are sometimes taken to signify different approaches to response to intervention. GFOA does not endorse one version of response to intervention over the other and has just used “RTI” for convenience.

⁶ Derived from the concept of “academic return on investment” created by Nate Levenson. See Nate Levenson, *Smarter Budgets, Smarter Schools* (Cambridge, MA: Harvard Education Press, 2012).

⁷ According to Odden and Picus in *School Finance*, “There is evidence that small classes, particularly in Grades K-3, can positively impact student learning..., but the evidence on small class size exists only for grades K-3. Moreover, class size needs to be reduced to about 15 to have that effect, and although the impact is statistically significant, it is relatively modest. More importantly, class size reduction is very expensive, and there is no research support for similarly small class sizes in grades 4-12.” The authors reference a number of studies, particularly the Tennessee STAR study, which was a large-scale, randomized experiment of class sizes of approximately 15 compared to a control group of classes with approximately 24 students in grades K-3.

⁸ Of course, districts will always be constrained by state class size mandates, unless they make strong arguments for waivers.

⁹ Marguerite Roza describes this as “accountability” and it is one of seven design elements she recommends as part of an ideal school financing system. See Marguerite Roza, *Educational Economics: Where Do School Funds Go?* (Washington, D.C.: The Urban Institute Press, 2010).

¹⁰ Equity with respect to school finance is a far-reaching topic. This Best Practice has limited the discussion to equity for children since children are the primary clientele of school districts. It has also limited the discussion to equity of opportunity (as opposed to outcomes, for example) because equity of opportunity is primarily a function of the amount and quality of the inputs into the educational process (e.g., money, teachers), which are issues particularly germane to budget deliberations. For a fuller discussion of equity issues in public education, see Robert Berne and Leanna Stiefel, “Concepts of School Finance Equity: 1970 to Present” in *Equity and Adequacy in Education Finance: Issues and Perspectives*, ed. Helen Ladd, Rosemary Chalk, and Janet Hansen (Washington, D.C.: National Academy Press, 1999).

¹¹ The importance of a long-term approach to public education strategies for individual school districts has been recognized as far back as 1938. See W. W. Theisen, “Financial Planning,” *Review of Educational Research* 8, no. 2, *Finance and Business Administration* (April 1938): 120-125.

¹² Fully loaded costs should include, at a minimum, the cost of all fringe benefits (e.g., health insurance, pension, etc.) in addition to salary when considering the cost of personnel. A classic definition of “full costs” also includes other direct costs (e.g., material and equipment used by a teacher) and indirect costs, such as allocations for overhead services. However, simply using fully loaded personnel costs for budget decisions may represent a significant improvement in decision making. See Nathan Levenson, *Smarter Budgets, Smarter Schools* (Cambridge, MA: Harvard Education Press, 2012).

¹³ For examples and more practical detail, see Levenson, *Smarter Budgets, Smarter Schools*.

¹⁴ GFOA has published other resources that describe financial policies that are generally applicable to local governments. See for example: National Advisory Council on State and Local Budgeting

¹⁵ Government Finance Officers Association. “Best Practice: Achieving a Structurally Balanced Budget.” 2012



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School District Fund Balances

Politicians and members of the public sometimes ask why schools aren't using their reserve fund balances to cover the dramatic shortfalls in state funding they have experienced over the last few years.

What are Fund Balances?

School district cash flow reserve funds (to which some have referred as school district rainy day funds) differ from what most of us think of as “reserves” in some important ways. As State Auditor Stacey Pickering lays out in his [statement](#) on this issue, “...cash flow reserves are funds specifically set aside and allocated to cover known or expected revenue shortfalls during the year. These allocated funds cover a school district's operation from one period to the next for anticipated times when local revenues are not available.”

A district's fund balance is the balance left in a school district's maintenance account, or checking account, less any accounts payable, at the end of the fiscal year. All MAEP and local funds (but not federal funds, which must be expended within 3 days of receipt) are held in and expended from these accounts.

A good portion of a school district's budget is made up of a “local contribution,” funds from local ad valorem taxes which are collected & dispersed to districts once a year in January or February. Because the school district fiscal year runs from July 1 to June 30, these local funds must be budgeted over two fiscal years. This results in a balance at the end of the fiscal year — the time when the snapshot of the “reserve” balance is taken.

Unlike the state “Rainy Day Fund,” school district fund balances are held for specific purposes, usually for operating expenses and often for capital improvements or repairs (see “Capital and Other Large Expenditures” below). [See State Auditor Stacey Pickering's brief on The Myth of School Rainy Day Funds.](#)

The Mississippi Department of Education and the state auditor have recommended that districts hold in reserve at least 7.5% of their annual budgets to tide them over in cases of emergency, just as we are advised to do with our household budgets. Districts that have not maintained these reserves have fallen into financial distress, and some have required an expensive state takeover. To address this problem in the 2010 Legislative Session, legislators adopted a law that requires districts to maintain 7.5% of their budgets in reserve or be subject to some state oversight of their budgets.

Much of the Funding Concentrated in Few Districts

The amount held in reserve varies dramatically by district, generally corresponding to the size of a district's overall budget.

Reasons Districts Need Fund Balances

In Cases of Emergency. As mentioned earlier, districts are required to hold in reserve at least 7.5% of their annual budget to tide them over in cases of emergency. Districts with high student populations whose fund balances appear to be large, in most cases have only enough in reserve to cover payroll for one or two months. Asking districts to spend down their reserves below this point is asking them to be fiscally irresponsible. One emergency such as a tornado, fire or flood could deplete immediately a district's reserves. Unlike the state "Rainy Day Fund," school district fund balances are most often funds that are saved for specific purposes, such as capital improvements or repairs, as noted below.

For Capital and Other Large Expenditures. Many Mississippi school districts operate so close to the margins that they must budget long-term for big-ticket items such as facilities repairs and reroofing, replacement of worn-out school buses, replacement or repair of heating/cooling systems, or facilities expansions and improvements. Prudent districts set aside a small amount of their funding each year until they can save enough for these very costly expenditures – expenditures which can easily cost hundreds of thousands of dollars. These funds are held in the fund balance until they are expended, and the projects for which they have been saved would be jeopardized if districts are required to spend the reserved funds for operational costs.

For Unforeseen Increases in Fuel and Utilities. The amount of funding allocated to school districts for fuel and transportation costs has not increased at all since 1993. Gasoline prices have increased substantially since that time; therefore districts have to use MAEP and local dollars to fund the balance of their transportation costs.

To Front Federal Programs Prior to Reimbursement. Federal programs are funded on a reimbursement basis. Therefore, school districts must incur the costs, expend dollars they have in reserve, and then apply for reimbursement from the federal government. In poorer districts, federal expenditures are significant, and districts bear the up-front burden of funding those programs until they are reimbursed.

To Front Local Expenditures Prior to Receipt of Local Funds. Local ad valorem taxes, which provide as much as 30-50% of a school district's budget, flow in a lump sum to the district in January or February. All local taxes must be budgeted for the fiscal year in which they are received, which ends June 30th. Administrator salaries, local teacher supplements, and many other monthly expenses are paid with local tax dollars. Therefore, districts must either hold funding in reserve to cover these expenses for the months of July through December, or they must borrow against anticipated local tax receipts to meet payroll until the next year's local dollars are received. The interest on these borrowed funds is an additional expense for school districts.

Policy Issues

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Achievement

Early Childhood

CCR Standards

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**ROUGH ESTIMATE
FY20 GENERAL FUND BUDGET CHANGES**

FY20 Estimated Beginning Fund Balance	\$ 300,000
Assumes we do not spend any more of our fund balance in FY19 than what is currently budgeted.	
Rollover FY19 Budgeted Expenditures and Revenues	(- 440,000)
For purposes of this estimate, we will use the same revenue and expenditures estimates as were budgeted in FY19, although we expect increases in personnel and utilities costs (at a minimum)	
Additional Estimated FY20 Foundation Formula Revenue	+ 300,000
We are estimating an increase in K-12 membership for the FY20 Fiscal Year	
Additional Elementary Teacher	(- 80,000)
One additional elementary teach may be necessary to educate the increased school population.	
Estimated Food Service Support from General Fund	(- 120,000)
(See Food Service Handout for historical data)	
	=====
FY20 Estimated Ending Fund Balance	(- 40,000)
<hr/>	
Request for increased funding from the City of Cordova	+ 400,000
	=====
FY20 Estimated Ending Fund Balance if request is granted	360,000

Cordova School District

Fiscal Year Beginning July 1, 2018

Basic Need Calculation			
Base			ADM
High School			160.00
Elementary			166.00
Total			326.00
<i>SpEd Intensive</i>			<i>9.00</i>
School Size Adjustment	Notes		ADM
High School	150 - 250 Students		228.90
Elementary	150 - 250 Students		235.38
Total			464.28
Other Factor Adjustments		Factor	ADM
+ Hold Harmless	<i>Year 3 of 3 : 25%</i>	10.345	474.63
x District Cost Factor		1.234	585.69
x Special Needs Factor		1.200	702.82
x Vocational/Technical Factor		1.015	713.37
+ Correspondence 90%		0.000	713.37
+ Intensive Services Factor		117.000	830.37
Total Adjusted ADM			830.37
Base Student Allocation			5,930
Funding			
Base Need Total			4,924,077
- Required Local Effort			905,380
- Deductible Impact			26,509
+ Quality Schools			13,666
Projected State Entitlement			4,005,854
Local Effort Calculation			
2018 Full Value Determination			\$341,652,860
Prior Year Basic Need			4,776,022
Projected Basic Need			4,924,077
Full Value x 0.00265			905,380
45% Prior Year Basic Need	Whichever value is lesser.		2,149,210
Minimum Required Local Contribution			905,380
Full Value x 0.00200			683,306
23% of Projected Basic Need + Quality Schools	Whichever value is greater.		1,135,681
Additional Allowable Local Contribution			1,135,681
Maximum Allowable Local Contribution	Minimum + Additional Allowable		2,041,061

Estimate updated 10/29/2018

Alaska Department of Education and Early Development - School Finance

FY2019 School Operating Fund Budget Summary

Cordova School District
District Name

Page 2

Beginning Fund Balance: July 1, 2018 (Subject to 10% Limit per AS 14.17.505(a))	<u>\$590,000</u>
(Excluded from the 10% Limit)	<u>\$160,000</u>
Total Beginning Fund Balance	<u>\$750,000</u>

Revenue

010 City/Borough Appropriations	(1) <u>\$1,604,000</u>	
030 Earnings on Investments	(2) <u>0</u>	
040 Other Local Revenues	(3) <u>3,000</u>	
041 Tuition from Students	(4) <u>15,000</u>	
042 Tuition - Other Districts	(5) <u>0</u>	
047 E-Rate Program	(6) <u>124,704</u>	
050 State Sources	(7) <u>4,452,969</u>	
100 Federal Sources - Direct	(8) <u>46,000</u>	
150 Federal Sources - Through the State	(9) <u>0</u>	
190 Federal Sources - Other Agencies	(10) <u>0</u>	
250 Transfers From Other Funds	(11) <u>0</u>	
Total Revenue		<u>\$6,245,673</u>

Expenditures

100 Instruction	(12) <u>\$2,887,401</u>	
200 Special Education Instruction	(13) <u>682,811</u>	
220 Special Education Support Services	(14) <u>50,144</u>	
300 Support Services - Students	(15) <u>124,945</u>	
350 Support Services - Instruction	(16) <u>593,107</u>	
400 School Administration	(17) <u>297,876</u>	
450 School Administration Support Services	(18) <u>187,548</u>	
510 District Administration	(19) <u>273,228</u>	
550 District Administration Support Services	(20) <u>336,549</u>	
600 Operations and Maintenance of Plant	(21) <u>891,408</u>	
700 Student Activities	(22) <u>94,988</u>	
780 Community Services	(23) <u>0</u>	
900 Other Financing Uses	(24) <u>269,242</u>	
Total Expenditures		<u>\$6,689,247</u>

Ending Fund Balance: June 30, 2019 (Subject to 10% Limit per AS 14.17.505(a))	<u>\$146,426</u> **
(Excluded from the 10% Limit)	<u>\$160,000</u>
Total Ending Fund Balance	<u>\$306,426</u>

** Must be greater than or equal to zero

Cordova School District

Fiscal Year Beginning July 1, 2019

Basic Need Calculation			
Base			ADM
High School			160.00
Elementary			190.00
Total			350.00
<i>SpEd Intensive</i>			<i>11.00</i>
School Size Adjustment	Notes		ADM
High School	150 - 250 Students		228.90
Elementary	150 - 250 Students		261.30
Total			490.20
Other Factor Adjustments		Factor	ADM
+ Hold Harmless	<i>No longer applicable</i>	0.000	490.20
x District Cost Factor		1.234	604.91
x Special Needs Factor		1.200	725.89
x Vocational/Technical Factor		1.015	736.78
+ Correspondence 90%		2.700	739.21
+ Intensive Services Factor		143.000	882.21
Total Adjusted ADM			882.21
Base Student Allocation			5,930
Funding			
Base Need Total			5,231,484
- Required Local Effort			905,380
- Deductible Impact	Estimate same as FY19		26,509
+ Quality Schools	Estimate same as FY19		13,666
Projected State Entitlement			4,313,261
Local Effort Calculation			
2018 Full Value Determination	*Will update in Fall 2019		\$341,652,860
Prior Year Basic Need			4,776,022
Projected Basic Need			5,231,484
Full Value x 0.00265			905,380
45% Prior Year Basic Need	Whichever value is lesser.		2,149,210
Minimum Required Local Contribution			905,380
Full Value x 0.00200			683,306
23% of Projected Basic Need + Quality Schools	Whichever value is greater.		1,206,385
Additional Allowable Local Contribution			1,206,385
Maximum Allowable Local Contribution	Minimum + Additional Allowable		2,111,765

Estimate updated 10/29/2018