



# Gregory-Portland Independent School District

---

## BOARD MEMORANDUM

TO: DR. MICHELLE CAVAZOS  
FROM: DR. ISMAEL GONZALEZ III  
CC: BOARD OF TRUSTEES  
DATE: Monday, January 13, 2025  
SUBJECT: DISCUSS AND TAKE POSSIBLE ACTION OF G-PISD FUND BALANCE BOARD RESOLUTION

### PRIORITIES

PRIORITY 1: EXCEPTIONAL STUDENT PERFORMANCE

N/A

PRIORITY 2: HIGH PERFORMING AND ENGAGED WORKFORCE

N/A

PRIORITY 3: QUALITY SERVICE AND IMPACTFUL COMMUNITY ENGAGEMENT

N/A

PRIORITY 4: EFFICIENT AND EFFECTIVE DISTRICT AND CAMPUS OPERATIONS

4.2 Maintain fiscal viability; stewardship; and improve staff knowledge of sustainable budgeting processes

### BACKGROUND INFORMATION:

Type: Action

What is fund balance?

In simple terms, fund balance is just the difference between assets and liabilities in a governmental fund as of the close of the fiscal year.

How much fund balance should school districts have?

There is no uniform amount of fund balance that will work for all districts. A sometimes-referenced rule of thumb is that three months of operating expenditures should be maintained. The Texas Education

Agency (TEA) maintains some guidance related to district savings in the Financial Integrity Ratings System of Texas (FIRST). For example, indicator 6 requires districts to have less than a 25% decline in fund balance over three years or 75 days operating expenditures maintained in fund balance. And to receive full points on indicator 7, school districts need 90 days of cash on hand or current investments in the general fund.

The Governmental Accounting Standards Board, or GASB, has established these five categories for fund balance in GASB 54:

Nonspendable balances are not expendable or are legally or contractually required to be maintained intact. This includes nonexpendable areas like inventory and prepaids as well as balances that are legally or contractually required to be maintained intact. The corpus of a permanent fund is an example.

Restricted balances can be spent only for the specific purposes stipulated by the Texas constitution, external resource providers or enabling legislation. These restrictions are external, as opposed to committed balances, which a district constrains by its own choice.

Committed balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

According to GASB 54, Paragraph 12: "The formal action of the government's highest level of decision-making authority that commits fund balance to a specific purpose should occur prior to the end of the reporting period, but the amount, if any, which will be subject to the constraint, may be determined in the subsequent period."

For school districts, this formal action will be a resolution by the Board of Trustees. The resolution can include a range of information, which can be as broad as commitments for capital projects to specific campus activity funds. Commitments must occur prior to fiscal year end, and the same formal action is required to establish, modify, or rescind the commitment. If commitments are not modified or rescinded, they remain until the funds are used for the specified purpose.

Assigned balances are amounts intended to be used by the government for specific purposes but which do not meet the criteria to be classified as restricted or committed.

Assigned fund balance can be expressed by a body, such as a Budget or Finance Committee, or by an official to whom the governing body has delegated the authority to assign amounts to be used for specific purposes. This classification often includes projected budget deficit for subsequent years, encumbrances, insurance deductibles, or reserves for future capital improvements.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

**RECOMMENDATION:**

Administration recommends the approval of a Fund Balance Resolution subject to GASB 54

**FINANCIAL IMPACT AMOUNT AND FUNDING SOURCE (IF APPLICABLE):**

N/A

**BOARD RELATED POLICY:**

CE (LEGAL)

**ACTION ITEM SUGGESTED MOTION (if applicable):**

That the board accept the recommendation by administration to approve a resolution classifying the general fund balance according to Governmental Accounting Standards Board "GASB 54", as presented