

## General Fund Balance Policy

Adopted: 10/25/2006

Revised: 7/27/2014

Last review: 2/11/2017

### 1           **Purpose**

2       The purpose of this policy is to ensure the financial stability of the School, to provide a sound basis to  
3       justify a strong financial rating, and to provide a reserve enabling the School to deal with unforeseen budget  
4       expenditures and revenue shortfalls.

### 5       **General Statement of Policy**

6       The policy of the School is to classify its fund balances based on the nature of the particular net resources  
7       reported in the separate funds of the School. Fund Balance categories will be identified according to the  
8       guidelines in Governmental Accounting Standards Board (GASB) Statement No. 54. Fund Balance  
9       categories will include Nonspendable, Restricted, Committed, Assigned, and Unassigned. To ensure the  
10      financial strength and stability of the School, the Board will endeavor to maintain at least 20% of the  
11      School's General Fund operating budget, including those accounts associated within the Restricted  
12      category, in the combined total of the General Fund Committed, Assigned, and Unassigned fund balances.

### 13      **I.       DEFINITIONS**

#### 14           A.   Nonspendable Fund Balance

15                   Represents amounts that cannot be spent due to forms such as inventories, prepaids, long-term  
16                   loans and notes receivable, and property held for resale (unless the proceeds are restricted,  
17                   committed or assigned).

#### 18           B.   State Revenue

19                   "State revenue" means state revenue as one component of the legislatively set formulas for  
20                   funding public education.

#### 21           C.   Restricted Fund Balance

22                   Represents amounts that can be spent only for the specific purposes stipulated by constitution,  
23                   external resource providers, or through enabling legislation.

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### D. Committed Fund Balance

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Represents amounts constrained for specific purposes determined by the School Board of Directors. It requires formal action by the same group to remove or change the constraints placed on resources.

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### E. Assigned Fund Balance

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Represents amounts constrained by the school School's intent to be used for a specific purpose, but are not restricted or committed. The School Board has delegated the authority to assign amounts to the Executive Director and Financial Manager. Assigned amounts or changes to Assigned amounts will be presented to the school board for review.

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### F. Unassigned Fund Balance

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Represents resources available to meet current and future years' expenditures.

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## IV. REQUIREMENT

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A. The school board hereby establishes the following order for resource use: Non-spendable fund balance, Restricted fund balance, Committed fund balance, Assigned fund balance, and Unassigned fund balance. Journal entries at the end of the fiscal year may be used to accomplish this.

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B. When the combined total of the General Fund Committed, Assigned and Unassigned fund balance falls below 10%, the School shall initiate the following measures:

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1. Reduce expenditures through implementation of cost containment measures.

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2. Seek opportunities to increase revenue. Consider fee increases where appropriate. Examine options to increase enrollment.

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3. A combination of the above.

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C. When the combined total of the General Fund Committed, Assigned and Unassigned fund balances approaches 13%, the School shall implement other budget control measures which do not adversely affect delivery of instructional programs.

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### 70 V. PROCEDURES FOR POLICY FUND BALANCE

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A. Regular updating, at least quarterly of the long-range budget projection by administration is an important component to the management of fund balance. Update of the budget may help identify resources available for program enhancement or may help determine if cost containment efforts are required.

B. The School budget is tied to a variety of unpredictable and uncontrollable factors which are to be closely monitored and adjusted, at least quarterly, in the long-range budget projection, including the following:

1. Receipt of state revenue, which is subject to change by the Legislature.
2. Receipt of revenue from state and local sources, which is irregular when compared to the expenditure of funds, thereby creating periodic cash flow deficits during the year.
3. Unexpected events that can alter the budget by unexpectedly reducing revenues or adding costs. Examples include:
  - a. Rescission of state revenue
  - b. Mandated, but not funded, state or federal programs
  - c. Increased utility costs due to abnormal price increases or unusually cold weather
  - d. Greater than expected inflation
  - e. Higher than expected wage and salary settlements
  - f. g. Decrease in projected enrollment