

203 Unreserved Fund Balance

I. Purpose

The purpose of this policy is to establish the parameters that will guide the school board and school district administration in maintaining an unreserved and designated fund balance.

II. General Statement of Policy

A stable unreserved fund balance is critical for the school district's overall financial stability. It is the policy of this school district to establish and maintain an unreserved fund balance at a minimum level of twenty percent (20%) of the total annual general fund operating budget, thus allowing for ongoing and long term financial stability. A stable unreserved fund balance allows the school district to meet those unexpected expenses, including but not limited to, sharp increases in energy costs and the unpredictability of federal and/or state aid. Additionally, a stable unreserved fund balance can generate additional revenue through interest earnings that can be utilized by the school district.

III. Definitions

General fund: Revenue for the support of educational programs. This excludes food service, debt service, and community education.

Reserved fund: Revenue from the general fund as determined by state statute and approved by the school board that is used for specific purposes, including but not limited to, transportation, capital improvements, health and safety, deferred maintenance, and safe schools.

Unreserved fund: Revenue from the general fund set aside by the school board to fund unforeseen contingencies. This may include, but is not limited to the unpredictability of state/federal aid and/or rising energy costs.

Designated fund: Designated by the school board to fund future financial liabilities of the school district.

Balance: The amount of revenue in a specific fund.

IV. Requirements

A. The school board shall determine and establish a specified dollar amount to be designated for future financial liabilities in accordance with GASB 34 and GASB 45 and other post-employment benefits. This amount is to be a designated fund within the unreserved fund.

B. The school board shall be notified by the business manager within fifteen (15) days of when the unreserved fund balance, less the designated fund associated with severance payments and post retirement benefits, falls below the prescribed twenty percent (20%) of the total annual general fund operating budget of the school district. The director in consultation with the business manager and other administrators shall present a plan of corrective action to the school board within sixty (60) days of the unreserved fund balance going below the prescribed level.

C. If revenues become available to the school district that may be allocated to the unreserved fund in accordance with the provisions of the law and in a fiscally responsible manner necessary to achieve the twenty percent (20%) level, the director shall present to the school board the percentage of these specific revenues that should be utilized toward improvement of the unreserved fund balance.

D. When the unreserved fund balance exceeds the prescribed level of twenty percent (20%) of the total annual general fund operating budget, the director, in consultation with other administrators, shall bring forth recommendations as to the utilization of such revenues.

E. The order of spending for unrestricted funds shall be: committed, assigned, and unassigned.