Board Policy DCL: Fund Balance

Status: DRAFT

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The Carroll County School District has enacted the following policy in an effort to ensure financial security through the maintenance of a healthy reserve fund that guides the creation, maintenance, and use of resources for financial stabilization purposes. The School District's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The School District also seeks to maintain the highest possible credit ratings which are dependent, in part, on the School District's maintenance of a healthy fund balance.

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

- Nonspendable fund balance – amounts that are not in a spendable form (e.g., inventory, prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
- Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).
- Committed fund balance – amounts that can be used only for the specific purposes determined by a formal action of the Board of Education. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the Board's commitment in connection with future construction projects).
- Assigned fund balance – amounts intended to be used by the government for specific purposes. Intent can be expressed by the Board of Education or by a designee to whom the Board of Education delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- Unassigned fund balance – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose

The responsibility for designating funds to specific classifications shall be as follows:

Committed Fund Balance – The Board of Education is the District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

Assigned Fund Balance – The Board of Education has authorized the Superintendent and the Chief Financial Officer as officials authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

The fund balance of the School District's General Fund has been accumulated to meet the purpose of providing stability and flexibility to respond to unexpected adversity and/or opportunities. The target is to maintain a fund balance, net of nonspendable and restricted resources, of not less than one and a half months (12-14%) of annual operating expenditures for the subsequent fiscal year budget, not to exceed three months (~~15~~25%) of the total budget of the subsequent fiscal year, in compliance with O.C.G.A. 20-2-167(a)5. The School District's basic goal is to maintain annual expenditure increases necessary to provide a consistent educational environment satisfactory to its citizens and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain an unrestricted fund balance of 12-14% of annual operating expenditures for the subsequent fiscal year budget stems from the following:

1. This amount provides adequate funding to cover approximately one and a half to ~~2~~two months of operating expenses.

2. This amount provides the liquidity necessary to accommodate the District's uneven cash flow, which is inherent

in its periodic tax collection schedule.

3. This amount provides the liquidity to respond to contingent liabilities.
4. This amount may provide additional resources for other funds.
