

### 662.3 GENERAL FUND BALANCE

The Board of Education recognizes a need to maintain an operating reserve in the General Fund for the following reasons:

1. to provide adequate working capital sufficient to meet the cash flow requirements of the District thus minimizing cash-flow (temporary) borrowing needs;
2. to serve as a safeguard against unanticipated expenditures and unrealized revenues; and
3. To maintain or improve the District's favorable credit rating.

In recognition of these needs, the Board shall support and continually strive to develop and maintain sufficient funds to achieve a minimum of 15% of total annual operating expenses in the fund balance as measured at fiscal year end (June 30).

Funds exceeding the 15% threshold may be appropriated for one-time, non-recurring expenses, at a legally constituted meeting, by a two-thirds vote of the Board. The Board may utilize the fund balance below 15% if it deems that a "non-recurring emergency exception" exists. This determination must be made at a legally constituted meeting and the funds appropriated by a unanimous vote of the Board.

Fund balance will be classified into the following categories depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Non-spendable Fund Balance** – amounts that are not in a spendable form (such as inventory and prepaid expenses) or are required to be maintained intact.

**Restricted Fund Balance** – amounts constrained to specific purposes by external providers (such as grantors, bondholders, and higher levels of government)

**Unrestricted Fund Balance** – amounts that are not Non-spendable or Restricted. Unrestricted fund balance is divided into three (3) categories: Committed, Assigned and Unassigned. Committed and Assigned funds will be reported as Reserves. Definitions are:

**Committed** - The committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the district's board

**Assigned** - The assigned fund balance classification reflects amounts that are constrained by the district's intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint.

**Unassigned** - The unassigned fund balance classification is the residual classification for the general fund only. It is also where *negative residual amounts* for all *other* governmental funds would be reported.

Fund balance information shall be published and reported in accordance with state law requirements. The Board shall annually review the status of the operating reserve following the audit of the District's financial statements.

*Reviewed, revised, and approved by the Board of Education on August 15, 2011*