

FUND BALANCE ANALYSIS						
UNRESTRICTED						
FUND BALANCE						
	Current Expense	Individual Schools	Capital Outlay	Other Revenue	Total	
June 30, 2010	1,765,855	707,889	758,862	0	3,232,406	
June 30, 2011	4,552,671	855,575	1,224,985	0	6,633,231	
June 30, 2012	3,680,942	869,029	932,866	0	5,482,837	
June 30, 2013	2,730,942	850,000	290,000	50,000	3,920,942	estimated
OTHER RESTRICTED FUNDS						
FUND BALANCE						
	Current Expense	Individual Schools	Capital Outlay	Other Revenue	Total	
June 30, 2013	60,000	0	0	225,000	285,000	estimated
COMBINED						
FUND BALANCE						
	Current Expense	Individual Schools	Capital Outlay	Other Revenue	Total	
June 30, 2013	2,790,942	850,000	290,000	275,000	4,205,942	estimated
2013-2014 CE Budget Draft = \$10,597,445						
UNRESTRICTED						
FUND BALANCE June 30, 2013	\$ 2,730,942					
17% of CE Budget	\$ (1,801,566)					
1% Stabilization	\$ (105,974)					
	\$ 823,402					
2013-2014 FB Appropriation	\$ (800,000)					
	\$ 23,402	available for future appropriation				
		according to board policy				

Policy Code: 8105 Fund Balance Policy

The Fund Balance Policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The Fund Balance Policy should be established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a Fund Balance Policy is for the board of education to be in a strong financial position that will allow for a better position to weather negative economic trends.

The fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. In the preparation of financial reports, as per Governmental Accounting Standards Board (GASB) Statement No. 54, there are five separate components of fund balance, each of which identifies the extent to which the board of education is bound to honor constraints on the specific purpose for which amounts can be spent.

A. FUND BALANCE REPORTING ACCOUNT TYPE CLASSIFICATIONS

1. Fund Balance – Nonspendable

Nonspendable fund balance consists of funds that cannot be spent due to their form (e.g. inventories) or funds that legally or contractually must be maintained intact (e.g. the principal of an endowment fund).

2. Fund Balance – Restricted

Restricted fund balance consists of funds that are mandated for specific purpose by external parties, constitutional provisions or enabling legislation.

3. Fund Balance – Committed

Committed fund balance consists of funds that are set aside for a specific purpose by the board of education. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

4. Fund Balance – Assigned

Assigned fund balance consists of funds that are set aside with the intent to be used for a specific purpose by the board of education. Assigned funds cannot cause a deficit in unassigned fund balance.

5. Fund Balance – Unassigned

Unassigned fund balance consists of excess funds that have not been classified in the previous four (4) categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

B. NONSPENDABLE AND RESTRICTED FUNDS

Nonspendable funds are those funds that cannot be spent because they are either: (1) not in spendable form (e.g. inventories); or (2) legally or contractually required to be maintained intact. It is the responsibility of the superintendent to report all Nonspendable Funds appropriately in the Board of

Education Financial Statements.

Restricted funds are those funds that have constraints placed on their use either: (1) externally by creditors, grantors, contributors, or laws or regulations or other governments; or (2) by law through constitutional provisions or enabling legislation. It is the responsibility of the superintendent to report all Restricted Funds appropriately in the Board of Education Financial Statements.

C. CLASSIFICATION OF FUND BALANCE

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last; unless the board of education has provided otherwise in its commitment or assignment actions.

D. AUTHORITY TO COMMIT FUNDS

The board of education has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of a resolution by a simple majority vote. The passage of a resolution must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

E. STABILIZATION ARRANGEMENT

Maintaining a Financial Stabilization Account is a necessity for sound financial management and fiscal accountability. The board of education has the authority to establish a Financial Stabilization Account that will be a Committed Fund Balance. A Financial Stabilization Account is established for the purpose of providing funds for an urgent event that affects the safety of the employee and student population (e.g. earthquake, wildfires, etc.). The minimum level for the Financial Stabilization Account is one (1%) percent of the Local Current Expense Fund expenditures. The recognition of an urgent event must be established by the board of education or the superintendent. If established by the superintendent, the specific urgent event must be reported to the board of education at their next meeting. A budget revision must be approved by the board of education. In the event that the balance drops below the established minimum level, the board of education will develop a plan to replenish the Stabilization Account balance to the established minimum level within four (4) years.

F. AUTHORITY TO ASSIGN FUNDS

Upon passage of the Fund Balance Policy, authority is given to the board of education's superintendent to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the board of education at their next regular meeting. The board of education has the authority to remove or change the assignment of the funds with a simple majority vote.

The board of education has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

G. UNASSIGNED FUND BALANCE

Unassigned Fund Balance is the residual amount of Fund Balance in the Local Current Expense Fund.

It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the Local Current Expense Fund in order to cover unexpected expenditures and revenue shortfalls.

Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget revision by the board of education. In the event of projected revenue shortfalls, it is the responsibility of the superintendent or their designee to report the projections to the board of education at the next regularly scheduled board meeting and shall be recorded in the minutes.

Any budget revision that will result in the Unassigned Fund Balance dropping below the minimum level will require the approval of the board of education.

The Fund Balance Policy establishes a minimum Unassigned Fund Balance equal to seventeen (17%) percent of the total Local Current Expense Fund expenditures. In the event that the balance drops below the established minimum level, the board of education will develop a plan to replenish the fund balance to the established minimum level within two (2) years.

Legal References:

Cross References:

Adopted: February 7, 2012

DAVIE COUNTY BOARD OF EDUCATION
