



**SAMPLE**

**FUND BALANCE POLICY**

1. In accordance with the governmental accounting standard, GASB Statement No. 54, the School Board recognizes the following five categories of fund balance for financial reporting purposes:
  - a. Nonspendable Fund Balance – non-cash assets such as inventories or prepaid items.
  - b. Restricted Fund Balance – funds legally restricted for specific purposes, such as grant, food service and expendable trust funds.
  - c. Committed Fund Balance – amounts that can only be used for specific purposes pursuant to a formal vote of the School Board.
  - d. Assigned Fund Balance – amounts intended by the Board for specific purposes. The Board can choose to delegate this authority to the Superintendent or Business Administrator, depending on the situation. Items that would fall under this type of fund balance could be encumbrances.
  - e. Unassigned Fund Balance – residual spendable fund balance after subtracting all of the above amounts.
2. Committed Fund Balance. The School Board, as the government’s highest level of decision-making authority, may commit fund balance by a formal vote prior to the government’s fiscal year-end for that fiscal year. Future modification or rescission of committed funds must likewise be accomplished by a formal vote of the School Board prior to fiscal year-end.
3. Assigned Fund Balance. The School Board expressly delegates to the Superintendent, through the Business Administrator, the authority under this policy to assign funds for particular purposes.
4. Spending Prioritizations:
  - a. When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds.
  - b. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:
    - 1) Committed, 2) Assigned, and 3) Unassigned.
5. Deficit Fund Balance. At year end if any of the special revenue funds (ie. food service, vocational education funds, etc.) has a deficit unassigned fund balance then the Superintendent is authorized to transfer funds from the general fund to cover the deficit, providing the general fund has money to do so.
6. The Board will maintain a minimum unassigned general fund balance less encumbrances equal to one month’s budgeted expenditures unless this is unfeasible due to circumstances beyond its control such as:
  - a. A substantial decrease in State funding,
  - b. An unanticipated fiscal necessity.

**OR IN NEW HAMPSHIRE IT WOULD STATE SOMETHING LIKE.....**

The School Board will turn back any unassigned general fund balance at year-end to offset the next fiscal year's tax rate for the Town.

7. In recognition of the advisability of an unassigned general fund balance greater than the above described minimum, any accumulation of unassigned general fund balance above the minimum balance shall not be spent without the formal authorization of the School Board.
8. Annual Review. Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process.



**SAMPLE**

**Notes to the Financial Statements**  
**-as they relate to GASB 54**

**NOTE X - ENCUMBRANCES**

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects fund. At June 30, 20X1, certain amounts which were previously committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows (in thousands):

	Encumbrances Included In:	
	Committed Fund Balance	Assigned Fund Balance
General fund	\$ 250	\$ 1,458
Food service special revenue fund	-	-
New elementary school capital project fund	-	3,200
Aggregate nonmajor funds	-	800
Total encumbrances	<u>\$ 250</u>	<u>\$ 5,458</u>

**NOTE XI - FUND BALANCE**

As of these financial statements, the School District has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

**Nonspendable**—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted**—Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed**—Amounts that can be used only for specific purposes determined by a formal action by the School Board.

**Assigned**—Amounts that are designated by the Superintendent for a specific purpose.

**Unassigned**—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page XX). As discussed in Note 1, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the School Board or the Assignment has been changed by the Superintendent. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

## **General Fund**

The General Fund has Unassigned Fund Balance of \$10,830,050 at June 30, 20X1. Prepaid items of \$295,720 are considered Nonspendable Fund Balance.

The General Fund has Committed Funds consisting of the Budget Reserve Account of \$15,560,571. The Budget Reserve Account was legislated to set aside resources to cover unanticipated deficits or revenue reductions that may be caused by adverse economic conditions or public emergency. This is equal to 10% of \$155,605,707 of FY20X1 expenditures budgeted as of the end of June 30, 20X1.

## **Other Major Funds**

The Capital Projects Fund has Restricted Funds of \$14,706,133 at June 30, 20X1, consisting primarily of unspent bond funds. The Food Service Fund had Restricted Funds of \$864,053 consisting of unspent funds to be used for future operational improvements.

## **Other Funds**

The following non-major fund has a Restricted Fund Balance designated for specific purposes:

Grants Fund: \$4,454,048

The remaining Special Revenue Funds Restricted Fund Balance of \$89,491 relates to a grant and the Committed Funds of \$608,060 relate to internal capital and related programs.

As discussed in Note XII, as of June 30, 20X1, the School District has \$2,985,693 of encumbrances of operating funds in major and nonmajor funds that rolled over into the next fiscal year.