Fiscal Management – 6200

Fund Balance

Board of Education

Wrightstown Community School District

The Wrightstown Board of Education recognizes that fund balance measures the net financial resources available to finance expenditures of future periods and that maintaining an adequate fund balance in the District’s General Fund is essential to the financial stability of the District and sound fiscal management.

The Board also recognizes its responsibility to ensure that the District’s fund balance resources are used properly and reported in accordance with applicable legal requirements and generally accepted accounting principles.  The fund balance shall be maintained at a level sufficient to avoid short term borrowing for cash flow purposes.

With these recognitions in mind, the Board has sent forth the following guidelines, as defined by the Governmental Accounting Standards Board (GASB) Statement 54, for the use and maintenance of fund balance resources in the District:

Fund balance resources shall be reviewed annually as part of the budget planning process to determine the allocation between the following classifications:

* 1. **Nonspendable** – This classification includes amounts that cannot be spent because they are either not in spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., principal balance of endowments and permanent funds).
  2. **Restricted** – this classification includes amounts limited by external parties (e.g., creditors, grantors or contributors), laws, or regulations, constitutional provisions or enabling legislation.
  3. **Committed** – This classification includes amounts that are committed for specific purposes by formal action of the Board.
  4. **Assigned** – This classification includes amounts that are intended to be used for specific purposes but are neither restricted nor formally committed.  Intent can be expressed by the Board or by an individual or subordinate high level body to which the Board has delegated authority.
  5. **Unassigned** – This classification includes any remaining amounts that are not classified as nonspendable, restricted, committed, or assigned.   
       
     When fund balance amounts are available in more than one classification for a particular purpose, the District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Fund balance may be committed for a specific source by formal action of the Board of Education.  Amendments or modification to the committed fund balance must also be approved by the Board of Education.  Committed fund balance does not lapse at year-end.

Unassigned fund balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.  The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Education.

To the extent Board of Education action regarding any fund balance amounts under this policy constitutes a budget amendment under State law (i.e., a change in the amounts of the appropriations or the purposes for such appropriations as stated in an adopted school district budget), a two-thirds vote of the entire membership of the Board shall be required, and a legal notice of the action taken shall be issued as required by law.  Board action to commit fund balances shall occur prior to the end of the fiscal year for which the commitment is made (June 30), however, the actual amounts to be committed can be determined in the subsequent fiscal year period.

The District shall strive to maintain an unassigned fund balance in the General Fund that is equivalent to at least twenty-five (25) percent of the anticipated General Fund expenditure budget for the subsequent fiscal year.

The purpose of maintaining this fund balance is to reduce the need and costs associated with short-term borrowing, serve as a safeguard against unexpected expenses or unrealized revenues, and maintain a high credit rating for the District.

Should the unaudited year-end fund balance in the General Fund fall below the designated minimum, the Board shall develop a plan to restore the fund balance in the General Fund to the designated minimum level.

Should the unaudited year-end fund balance in the General Fund rise above the maximum designated amount, the Board shall consider committing a portion of that fund balance for a specific purpose.

The Board of Education shall delegate to the Business Manager, the authority to assign fund balance resources to a specific intended purpose in accordance with provisions of this policy or as otherwise directed by the Board.

Adopted: 5/15/2019

Reviewed:

Revised: