

FUND BALANCE & CONTINGENCY POLICY

The Board is responsible for maintaining the financial stability of the District. A key element in this endeavor is setting requirements for the District's fund balance categories. The Board believes that the District must maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and other such circumstances. A fiscally prudent fund balance also can provide sufficient cash flow for daily financial needs and secure and maintain investment grade bond ratings.

Fund Balance Requirements

- **Non-Spendable Fund Balance**
 - ~ Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This would include inventory, prepaid and non-current receivables such as long-term loan and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Spendable Fund Balance

- **Restricted Fund Balance:** Constraints placed on the use of amounts are externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations.
- **Committed Fund Balance:** Includes amounts that are committed for specific purposes by formal action of the Board. Amounts classified as committed are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the Board removes or changes the limitation by taking formal action. The action to commit fund balances must occur prior to yearend; however, actual amounts can be determined in the subsequent period. If the amount changes, it has to be consistent with generally accepted accounting principles.
- **Assigned Fund Balance:** Amounts that are intended by the District to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This would include any activity reported in a fund other than the General Fund. The Board authorizes the Superintendent or designee to assign balances that result in a residual deficit.
- **Unassigned Fund Balance:** includes any remaining amounts after applying the above definitions (amounts not classified as non-spendable, restricted, committed or assigned). The Board's goal is to achieve and maintain an unassigned fund balance in the General Fund equal to or greater than 5.5% of expenditures. If the unassigned fund balance falls below 5.5% of expenditures, the Board shall develop a plan to replenish the fund balance to the designated minimum, level. A change in the minimum, unassigned fund balance:

- ~ Must be made prior to the last day of the fiscal year for which the commitment is made. The General Fund is the only fund that is allowed to report a positive unassigned balance.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure, the Superintendent or designee will start with the most restricted category and spend those funds first before moving to the next category with available funds.



LEGAL REFERENCE:

IC 33-801 School District Budget

IC 33-506 Organization and Government of Board of Trustees

ADOPTED: June 21, 2022