

Oak Ridge Schools

Office of the Superintendent



Administrative Procedure 2.704

Fund Balance

Fund Balance - Administrative Procedure

Purpose:

To establish a key element of the financial stability of the Oak Ridge Schools by setting guidelines for fund balance. Unassigned fund balance is an important measure of economic stability. It is essential that the District maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The fund balance also provides cash flow liquidity for the District's general operations.

Definitions:

Fund Balance – Fund Balance is generally the difference between its assets and its liabilities. An accounting distinction is made between the portions of fund balance that are spendable and non-spendable. These are broken up into five categories:

- 1) **Non-spendable fund balance** – includes amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or permanent funds; prepaid amounts; long-term receivables; or they are legally, or contractually required to be maintained intact (e.g. the principle of an endowment fund).
- 2) **Restricted fund balance** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and specific State funds.
- 3) **Committed fund balance** – includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Education (District's highest level of decision-making authority). Commitments may be changed or lifted only by the Board of Education taking the same formal action that imposed the constraint originally.
- 4) **Assigned fund balance** – comprises amounts intended to be used by the District for specific purposes. Intent can be expressed by the Board of Education, the Superintendent, or the Finance Director (delegated authority by Superintendent). In the General Fund, this includes unspent local grants, budgeted use(s), etc.
- 5) **Unassigned fund balance** – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Processes and Procedures:

Committed Fund Balance

The Board of Education is the District's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board of Education. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in subsequent period(s).

Assigned Fund Balance

The Superintendent of Schools (or his designee) is the official authorized to assign fund balance to a specific

purpose as approved by this fund balance administrative procedure.

Minimum Unassigned Fund Balance

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund equal to 10% of operational expenditures. The District considers a balance of less than 10% to be cause for concern, barring unusual or deliberate circumstances. Proposed budgets, or budget revisions, will maintain an ending fund balance of at least 10% of the Fund’s operational expenditures. If unassigned fund balance falls below the goal due to unforeseen revenue fluctuations, unanticipated expenditures, or any similar circumstances, the District will immediately develop a restoration plan to re-build and maintain the minimum 10% fund balance requirement.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure, the District will start with the most restricted category and spend those funds first before moving to the next category with available funds. The order in the use of funds would therefore be Restricted, Committed, Assigned, and Unassigned to the extent each category is available and eligible.