

Business and Non-Instructional Operations

Accounts

Fund Balance Purpose and Goals

The Watertown Unified School District Board of Education recognizes 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 Watertown School District Board of Education also recognizes the need to maintain an adequate fund balance to meet cash flow needs during the school year. It is especially important to maintain an adequate amount for operational purposes during the time that the final tax revenues from the previous year are received in August and new tax receipts are received in January. In addition, a healthy fund balance may be used to limit short term borrowing, be accessible for one-time expenditures/purchases and help maintain a favorable credit rating to reduce borrowing costs for future referendum or other borrowing purposes.

The general goal for the fund balance is to maintain an amount that may alleviate the need to short-term borrow. The fund balance should only be used for non-recurring expenditures approved by the Board of Education.

Financial Disclosures:

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 for governmental entities. The District shall classify fund balance into the following categories:

Non-spendable fund balance: This classification includes amounts that cannot be spent because they are either not in spendable form (ie. inventory) or are legally or contractually required to be maintained intact (i.e. principal balance of endowments and permanent funds.)

Restricted fund balance: This classification includes amounts limited by external parties (i.e. creditors, grantors or contributors), laws or regulations, constitutional provisions or enabling legislation.

Committed fund balance: This classification includes amounts that are committed for specific purposes by formal action of the Board.

Assigned fund balance: 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.

Unassigned fund balance: This classification includes any remaining amounts that are not classified as non-spendable, restricted, committed or assigned.

Categories such as inventories (e.g. food service), prepaid expenses, investment principal, long-term receivables, scholarship dollars and any amounts that are contractually committed may be classified as non-spendable.

The fund balance for the spendable portions (restricted, committed, assigned and unassigned) of the special revenue trust fund, debt service fund, capital projects fund, and food service fund shall be classified as restricted. There will also be a restricted amount in the general fund balance to recognize self-funded health/dental insurance claim history.

In the event that the Board of Education may want to commit funds from the fund balance to a specific purpose, they may do so by a majority vote during a posted and open meeting. Committed funds shall be used exclusively for the specific purpose unless the Board of Education decides to change the commitment.

To the extent Board 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 shall be issued as required by law.

The assigned nature of the fund balance represents an amount that is designated for a specific purpose. However the intent or decision can be made by the governing body or by an official that acts as the body's designated authority. For example, if an emergency repair is needed the fund balance may be assigned for the purpose of remedying that repair.

The Director of Business Services is authorized to assign fund balance resources for a specific intended purpose. The Board of Education directs the Director of Business Services to assign fund balance, to the extent that it is used to maintain cash flow needs and an amount necessary to cover the cost of unsettled labor agreements.

For any funds with current year results where expenditures exceed revenues, this current year deficit will first reduce unassigned fund balance, then assigned fund balance and finally committed fund balance.

Unassigned fund balance amounts are available for any purpose, and if the general fund has available resources that are not of the other four categories, it shall be deemed unassigned.

The District shall strive to maintain an unassigned year-end fund balance in the General Fund that is equivalent to at least 15% of the anticipated General Fund expenditure budget for the subsequent fiscal year with a goal of reaching a level where the short-term borrowing for operations is not necessary. This fund balance is intended to be used for purposes including: cash flow management, reducing or eliminating the need for short-term borrowing, safeguarding against unexpected expenses or unrealized revenues, and maintaining a high credit rating for the District. Should the unaudited year-end unassigned fund balance in the General Fund fall below the designated minimum, the Board shall develop a plan to restore the unassigned fund balance in the General Fund to the designated minimum level.

Policy Approved: June 27, 2011

Policy Revised: June 27, 2016