

FUND BALANCE

The school district, with directive from the school board, establishes and will maintain reservation of Fund Balance in accordance with the Governmental Accounting Standards Board Fund (GASB) type definitions. This policy sets district guidelines for the Fund Balance which is an important measure of economic stability. It is essential that the district maintain adequate levels of Fund Balance in order to:

- Mitigate financial risks that can occur from unforeseen revenue fluctuations
- Allow for unanticipated expenditures
- Allow for emergencies and similar circumstances
- Provide cash flow liquidity for the district's general operations

The Fund Balance types are classified into the following categories:

1. Non-Spendable Fund Balance – includes amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact (such as principal of an endowment fund).
2. Restricted Fund Balance – includes amounts that can only be spent for the specific purpose stipulated by external resource providers (such as grantors) or enabling legislation (federal or state law or district meeting vote). Restrictions may be changed or lifted only with the consent of the resource providers or enabling legislation.
3. Committed Fund Balance – includes amounts that can be used only for the specific purposes determined by a formal action of the school board. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally. The action must be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made.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 a subsequent period.
4. Assigned Fund Balance – includes amounts the district intends to use for a specific purpose. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as “assigned”. Items that fall under this classification for the General Fund would be encumbrances properly approved by contract, purchase order, or other such action as required.
5. Unassigned Fund Balance – includes amounts that are obligated or specifically designated and available for any purpose. The residual



classification of any General Fund balance is to be reported here. Any deficit balance of another fund is also classified as unassigned.

When expenditures are incurred for purposes for which both restricted and unassigned fund balance is available, restricted fund balance is considered to have been spent first and then the unassigned amount.

The district will follow the provisions of the State Municipal Budget Law (RSA 32) in emergency situations which may cause an over-expenditure of total appropriations.

At year end, if any of the special revenue funds (grants, food service, etc.) has a deficit unassigned Fund Balance, the business administrator is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

Legal References:

RSA 32, *Municipal Budget Law*

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Report and Governmental Fund Type Definitions*

Adopted 2013

