

# OLDHAM COUNTY BOARD OF EDUCATION POLICY

## FUND BALANCE POLICY

3011

### PURPOSE

The purpose of this policy is to establish a key element in compliance with GASB 54 of the financial stability for the Board of Education by setting guidelines for fund balance. Unassigned fund balance is an important measure of economic stability. It is essential that the Board 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 general operations.

### POLICY

#### 1. Committed/Assigned Fund Balance

The Board of Education is the 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 at a regular or special called meeting.

Amendments or modifications to the committed fund balance must also be approved by formal action of the Board of Education. Committed Fund Balance does not lapse at year-end. The formal action required to commit fund balance shall be by Board resolution or majority vote.

The Board of Education delegates authority to assign fund balance for a specific purpose to the Finance Officer of the district.

#### 2. Order of Expenditure of Funds

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and lastly, the unassigned fund balance.

### ADDITIONAL POLICIES

- The Board will set aside funds necessary for growth projects or future needs as committed fund balance.
- The Board will set aside committed fund balances to cover the amount of outstanding purchase orders or encumbrances that have been approved by the Board.
- The Board will set aside funds necessary of annual revenues (or expenditures) as committed to a stabilization account, if required at a level appropriate for existing financial conditions at the time.

### MINIMUM UNASSIGNED FUND BALANCE

- The board shall plan and manage annual revenue and expenditure budgets that provide an (*unreserved*) unassigned general fund balance of at least five percent (5%) of annual financial report (AFR) receipts.
- If the general fund balance should fall below 2.5 percent of annual financial report (AFR) receipts within a given year or the next succeeding year, the Superintendent shall alert the Board to the circumstances and recommend appropriate short-term actions to maintain the desired balance.