

FUND BALANCE

The Board of Directors of the Southside School District recognizes the importance of a sufficient fund balance to assure sound financial practices, provide program stability, and obtain excellent bond ratings.

The fund balance in the Debt Service Fund, Transportation Vehicle Fund, Capital Projects Fund, and Associated Student Body Fund is primarily a function of the scope of the projects and activities found within the operation of each fund. Stability of revenue and predictability of expenditures in these funds enables the district to establish an appropriate fund balance.

The complexities of funding and other economic uncertainties in the operation of the General Fund require a different approach in setting the fund balance level. Some of the uncertainties affecting the fund balance for the General Fund include:

- Enrollment fluctuations.
- Unanticipated changes in tax and appropriation levels by state and federal agencies.
- Legislative mandates having financial impacts on school systems.
- Passage/failure of voter referendums and levies.
- Financial impacts of labor agreements including arbitration judgments.
- Litigation.
- Energy cost increases and weather related damages.

To maintain sound financial practices, the district will establish a prudent fund balance level in the General Fund. This will be accomplished and presented using the following classifications of the fund balance:

- Nonspendable Fund Balance
- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance

To provide stability of the instructional program, the District will maintain the following types of fund balances within the General Fund:

The above classifications represent those fund categories established and directed by the Governmental Accounting Standards Board (GASB) and are defined as:

- **Nonspendable Fund Balance** represents those amounts of the fund balance that cannot be spent either because they are not in a spendable form, such as food service or warehouse inventories, or are legally required to be maintained intact.
- **Restricted Fund Balance** represents those amounts that, except for the items reported as Nonspendable, are restricted to a specific purpose. These restrictions are imposed by law, regulation, creditors, grantors, or contributors, and include self-insurance reserves for workers compensation and unemployment insurances, reservations for future losses not covered by insurance, and grant carryovers.

- **Committed Fund Balance** represents those amounts that can only be used for the specific purposes approved by the board of directors. The Committed Fund Balance section will be structured as follows:
 - Part 1: Committed to Minimum Fund Balance is the amount that at the end of the district's fiscal year should be sufficient to compensate for economic uncertainties in the new fiscal year and will be targeted at a minimum of ten percent (10%) of the previous fiscal year's actual General Fund expenditures.

Should the Committed to Minimum Fund Balance amount fall below ten percent (10%), the superintendent or designee shall create a plan to restore the ten percent (10%) level. This plan shall be presented to the board of directors within sixty (60) days of the submission of the district's F196.
 - Part 2: Committed Fund Balance shall represent the remaining amounts designated by the board of directors for specific purposes and will include, but not be limited to, outstanding purchase orders and encumbrances.
- **Assigned Fund Balance** represents those amounts that are constrained by the school district's intent to be used for specific purposes but are neither restricted nor committed. Included in this portion of the fund balance can be reservations to cover contingencies such as unanticipated changes in tax and spending policies of the Federal and State governments, court decisions, financial impacts of labor agreements, natural disasters, unexpected or emergency capital expenditures and special projects.
- **Unassigned Fund Balance** is the residual fund balance designation and represents that amount of fund balance that is spendable because the amount has not been designated as nonspendable or been restricted, committed or assigned for specific purposes.

Legal References:	RCW 28A.300.060	Studies and adoption of classifications for school district budgets
	28A.320.020	Liability for debts and judgments
	28A.330.100	Additional powers of the Board
	28A.505	School Districts' Budgets
	28A.510	Apportionment to District – District Accounting

Adoption Date: 03.24.14
Southside School District
Classification: Optional