

## OPERATIONAL SERVICES

### 4:20 Fund Balances

The Superintendent or designee shall maintain fund balances adequate to ensure the District's ability to maintain levels of service and pay its obligations in a prompt manner in spite of unforeseen events or unexpected expenses. The Superintendent or designee shall inform the Board whenever it should discuss drawing upon its reserves or borrowing money.

#### **I. Purpose:**

Lockport School District 91 is dedicated to maintaining a reasonable fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the District as well as categories of reported fund balance.

#### **II. Definitions:**

**Fund** - For purposes of this policy a fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The District maintains separate funds as required by the Illinois State Board of Education. The record of fund activity is maintained in the District's financial accounting software and is reported annually in the District's annual financial report (AFR).

Governmental fund types used by the District include the general fund, special revenue funds, debt service funds and capital projects funds. Student activity funds maintained by the District are fiduciary in nature and are not governed by this policy.

**General Fund** - The general fund should be used to account for and report all financial resources not accounted for and reported in another fund.

**Special Revenue Funds** - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. If the District no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources, the District should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the General Fund.

**Debt Service Funds** - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated.

**Capital Projects Funds** - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

#### **District Funds**

##### **Fund Type**

Educational General

Operations & Maintenance Special Revenue or General

Debt Services Debt Service

Transportation Special Revenue

Municipal Retirement/ Social Security Special Revenue

Capital Projects Capital Projects

Working Cash Special Revenue (or General, depending on tax levy)

Tort General

Fire Prevention & Safety Capital Projects

**Fund Balance** - Fund balance is a measure of available financial resources. Fund balance is the difference between a fund's assets and liabilities.

Statement No. 54 of the Governmental Accounting Standards Board (GASB) *Fund Balance Reporting and Governmental Fund Type Definitions* establishes five categories of fund balance for use by governmental entities:

1. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, such as inventories and prepaid amounts or (b) legally or contractually required to be maintained intact.
2. Restricted fund balance reflects resources that are subject to enforceable legal restrictions by outside parties such as creditors (through debt covenants), grantors, contributors, or other governments. Such restrictions include property taxes other than those reported in the General Fund, grants other than general state aid, proceeds from debt issuances, and other restricted sources.
3. Committed fund balance is a government imposed constraint on the use of resources by formal action of the District's Board of Education through Board Resolution. The constraint remains binding unless removed by formal action of the Board of Education. The formal action should describe the revenue source considered to be committed, and the specific purpose of its use.
4. Assigned fund balance reflects the District's intended use of resources for a specific purpose and assigned in accordance with the Board of Education or the Superintendent. Fund balance may be assigned after the end of the fiscal year. Non-negative residual unrestricted or uncommitted fund balance in funds other than the General Fund will be considered to be assigned.
5. Unassigned fund balance is the residual balance reported in the General Fund or a negative fund balance in a fund other than the General Fund.

### **III. Policy:**

#### Educational Fund

The District will strive to maintain an unassigned fund balance in the Educational Fund no less than four months of Educational Fund operating expenditures. The fund balance will be calculated using the budgeted total General Fund expenditures (salaries, benefits, other operating expenditures, interfund transfers, and capital expenditures). This balance is the minimum fund balance required to meet the District's cash flow needs. It should be a primary objective of all District budgets and long-term financial plans to incorporate the achievement and maintenance of the minimum Educational Fund balance established herein.

#### Resource Use Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available the District considers restricted amounts to have been spent first. Also, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used the District considers committed, assigned, and then unassigned amounts, in that order, to have been spent.

#### Deficits

Fund balance deficits in any fund will be budgeted to be reduced and eliminated in a systematic manner through the transfer of resources from other funds as allowable, or through the allocation of unrestricted general state aid.

CROSS REF.:4:10 (Fiscal and Business Management), 4:80 (Accounting and Audits)

ADOPTED:August 19, 2008

UPDATED:August 9, 2011; October 8, 2013; August 14, 2018; September 17, 2019

Adopted: September 17, 2019

**Lockport SD 91**

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