

West Salem School District
Policy 662.2

FUND BALANCE

Fund balance is the amount by which all the assets of a fund exceed all the liabilities of a fund. The fund balance does not necessarily represent the District's cash position. Cash is an asset, but is usually not the fund's only asset. Additionally, a fund may have liabilities, such as an accounts payable amount due to a supplier which, when paid, results in a decrease in fund cash balance.

Government Accounting Standards Board (GASB) Statement 54, indicates that all dollars in a fund balance must be accounted for in one of the following classifications:

- Nonspendable - not in spendable form or legally or contractually required to be maintained intact (example: inventory, endowment or principal of a permanent fund).
- Restricted - resources are constrained by creditors, grantors, bondholders, regulations, or law (example accounts payable).
- Committed - directed by the Board through formal action (example: Board-directed expenditure for an identified capital project).
- Assigned - to be used for specific purposes, but not meeting the criteria for restricted or committed.
- Unassigned- the residual classification for the general fund, also for funds with a negative fund balance. Unassigned amounts are technically available for any purpose.

All fund balance other than those that are nonspendable, restricted, or committed for another purpose are committed for cash flow purposes.

The Board recognizes a need to carry an operating reserve of unallocated funds to be used for unanticipated expenditures for the best fiscal management of the fund balance, the appropriation of these operating reserve funds must be approved by at least five members of the Board.

The Board shall, as part of the budgeting process, annually review the fund balance to make sure an appropriate balance is maintained. It is the goal of the District to maintain an end-of-year general fund (Fund 10) balance, amounting to between 12% and 17% of the next year's budgeted expenditures.

APPROVED: October 10, 1985
REVISED: December 5, 1995

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