

NORTHVILLE PUBLIC SCHOOLS
Northville, Michigan

BOARD POLICY

FUND BALANCE

As part of the annual budget process, the Board will consider and adopt a fund balance plan.

The purpose of the District Fund Balance is to provide sufficient financial resources to provide a high level of stability in the financial operations of the School District. Fund balance measures the net current financial resources available to finance expenditures of future periods. Fund balance is the difference between assets and liabilities reported in a governmental fund. Fund balance reporting will be according to the most recent authoritative pronouncements and may include the following categories:

1. Nonspendable – Amounts that are either not in spendable form or legally or contractually required to be maintained intact. This would include, but is not limited to, inventory, prepaids and non-current receivables.
2. Restricted – Net asset amounts where constraints have been imposed externally such as by grantors, contributors or laws or regulations. This would include, but is not limited to, sinking funds and debt service funds.
3. Committed – Amounts may be committed for specific purposes by formal action of the school board. Specific amounts for committed categories will be determined during the year-end financial preparation process using customary valuation methods for related amounts. Creation, amendment or modification to the Committed Fund Balance must also be approved by formal action of the Board. Committed Fund Balance does not lapse at year end.
4. Assigned – Amounts that are intended by the district to be used for specific purposes may be assigned. The School Board authorizes the Assistant Superintendent of Finance and Operations or designee to determine the assigned fund balance(s) on an annual basis for the year-end financial reporting. Specific amounts will be determined during the year-end financial preparation process. Assigned Fund Balance does not lapse at year end. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
5. Unassigned – Any remaining fund balance.

For purposes of fund balance classification, expenditures are to be spent from Restricted Fund Balance first (when appropriate), followed in order by Committed Fund Balance, Assigned Fund Balance and lastly, Unassigned Fund Balance.

The Board desires to maintain, in stable economic times, a fund balance of at least 11% of the District general fund annual operating expenditures to insure a stable operating environment during the fiscal year. However, the Board is cognizant of the fact that as of the current revision date June 21, 2011 of this policy, the fund balance percentage is already below this benchmark.

An annual reporting of fund balances as classified in accordance with GASB 54 shall be as reported in the annual Audited Financial Statements of the District.

Adopted: February 2001
Reaffirmed: September 2003
Reaffirmed: September 2006
Revised: September 2009
Revised: June 2011