

SHAKER REGIONAL SCHOOL DISTRICT ADMINISTRATIVE RULES AND PROCEDURES

FUND BALANCE

CODE DIA-R&P

The Shaker Regional School District (SRSD) shall comply with GASB 54, fund balance reporting and governmental fund definitions.

1.1 Fund Type Definitions

The following definitions will be used in reporting activity in governmental funds across the SRSD. The SRSD may or may not report all fund types in any given reporting period based on actual circumstances and activity.

- a. **General Fund**: This fund is used to account for all financial resources not accounted for and reported in another fund.
- b. **Special Revenue Funds**: These funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than capital projects. Examples include, but are not limited to, the Food Service Fund, Federal and State Grant Fund; and Private Grant Fund.
- c. **Capital Projects Funds**: These funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
- d. **Permanent Funds**: These funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the SRSD's purposes.

1.2 Fund Balance Categories/Definitions

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

Nonspendable Fund Balance

- a. **Definition**: Includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. **Classification**: Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):
 - (1) The SRSD will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).
 - (2) The SRSD will maintain a fund balance equal to the corpus (principal) of any permanent funds (if any) that are legally or contractually required to be maintained intact.

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Restricted Fund Balance

- a. **Definition:** Includes amounts that can be spent only for the specific purposes stipulated by applicable state and local laws and regulations, external resource providers, or through enabling legislation. Example: Actions authorized by the voters at school district meetings.

Committed Fund Balance

- a. **Definition:** Includes amounts that can be used only for the specific purposes determined only by action of the Shaker Regional School Board (SRSB).
- b. **Authority to Commit:** Commitments will only be used for specific purposes pursuant a formal action of the SRSB.

Assigned Fund Balance

- a. **Definition:** Includes amounts intended to be used by the SRSD for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
- b. **Authority to Assign:** The SRSB delegates to the Superintendent the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned Fund Balance

- a. **Definition:** Includes the residual classification for the SRSD's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

1.3 Operational Guidelines

The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting

Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts.

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Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54. For compliance with state statutory requirements, encumbrance accounting for budgetary and financial reporting to the Department of Education and the Department of Revenue Administration, and as reported in the Required Supplementary Information (RSI) section of the annual financial statements, encumbrances are determined in accordance with RSA 32:7(I):

Chapter 32 Municipal Budget Law – Appropriations

32:7 Lapse of Appropriations

“Annual meeting appropriations shall cover anticipated expenditures for one fiscal year and any unexpended portion thereof shall not be expended without further appropriation, unless: I. The amount has, prior to the end of that fiscal year, become encumbered by a legally-enforceable obligation, created by contract or otherwise, to any person for the expenditure of that amount.”

Prioritization of fund balance use

When an expenditure is incurred for purposes for which both restrict and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the SRSD to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the SRSD that committed amounts would be reduced first, followed by assigned and then unassigned amounts.

Unassigned fund balance

For compliance with state statutory requirements, encumbrance accounting for budgetary and financial reporting to the Department of Education and the Department of Revenue Administration, the statutory based General Fund “unreserved-undesignated” fund balance will be used towards funding the appropriations of the subsequent year in accordance with the historical practices of the Commissioner of the Department of Revenue Administration under RSA 198:4-a (III):

Chapter 198 School Money – District Taxes

198:4-a (III) Report of Appropriations Voted

“The commissioner of revenue administration shall examine such certificates and delete any appropriation which is not made in accordance with the law, and adjust any sum which may be used as a setoff against the amount appropriated when it appears to the commissioner of revenue administration such adjustment is in the best public interest.”

Unassigned fund balance in the Food Service Fund will be limited to “maximum amounts” as per federal and state regulations.

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Replenishing deficiencies

Year-end deficits and any Special revenue fund (including, but are not limited to, the Food Service Fund) will be replenished by year end transfer (journal entry or other method) from the General Fund if the General Fund has available unassigned fund balance (for financial reporting purposes) and unreserved-undesignated fund balance (for statutory compliance purposes).