



RIVER VALLEY SCHOOL DISTRICT

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General Fund Balance

The general fund balance is the amount by which assets exceed liabilities. The Board believes there is a need to maintain an operating fund balance to:

1. Provide for an adequate cash flow.
2. To serve as a safeguard against emergency expenditures and/or unrealized revenues.
3. To generate sufficient interest income from investments to offset the interest expense from temporary borrowing for cash flow needs.
4. To cover operating costs until the deferred tax revenue is received in August.
5. To give the district the best possible bond rating, this allows for the lowest interest rate available.

The Board will maintain a Non-G.A.A.P. general fund balance of at least 25%, but less than 30% of budgeted general and special education expenditures (*less operating transfer*). To provide the best fiscal management of the fund balance, it will be required that appropriation for expenditures from the fund balance will require a 2/3 majority vote of the full Board.

$$\text{General Fund Balance Percentage} = \frac{\text{June 30 General Fund Balance}}{(\text{Next year's budgeted Fund 10} + \text{Fund 27 expenditures})(\text{less operating transfer})}$$

Committed funds are used first, followed by assigned and then unassigned amounts.

Annually, the Board of Education will review the fund balance to determine the allocation between non-spendable, restricted, committed, assigned, and unassigned fund balance accounts. The Business Manager is delegated authority to assign fund balance as directed by the Board of Education.

The annual review will be done in November as part of the District's budget development process using the following factors:

1. The District's enrollment pattern and the current property tax levies and their impact on the revenue limit.
2. The District's level of state equalization and categorical aid funding and federal funding levels.
3. The District's capital asset and facilities conditions and equipment needs.
4. The District's current debt position.
5. The District's bond rating.
6. The District's current economic environment.

The School Board shall monitor and modify the fund balance requirements based on these criteria.

The circumstances in which excess unassigned fund balance can be spent down include:

1. Operating emergencies
2. Unanticipated budgetary shortfalls
3. One-time expenditures
4. Capital projects/Capital Reserves
5. Tax rate reduction
6. Debt payments

The School Board will develop a plan to replenish the general fund balance if it falls below 25% through the use of revenue enhancements and/or expenditure reductions. The plan shall target restoring fund balance over a period not to exceed three years.

APPROVED: May 12, 1994
REVISED: August 11, 2011
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