

Fiscal Management – Fund Balance

Maintaining a sufficient amount of fund balance/net position in all funds is essential for the financial health of Colorado Springs School District 11 (the District). Borrowing cash from the general fund should be carefully monitored to ensure no undue burden is placed on cash flows. The Colorado Springs School District 11 Board of Education (the Board) assigns to the Superintendent or designee the responsibility of accumulating and maintaining appropriate fund reserves and cash borrowing policies. In 2012, C.R.S. 22-44-102 (7.3) was revised to define an ongoing deficit as being a negative amount on a modified accrual basis of accounting (generally accepted accounting principles (GAAP) basis) in the unassigned fund balance for governmental funds or unrestricted net position for proprietary funds. C.R.S. 22-44-105 (1.5)(a)&(c) further require that districts ensure that there are no ongoing deficits resulting from recording expenditures beyond current revenues and beginning fund balance. Districts must acknowledge compliance with these statutes on the accreditation report signed by district officials.

Definitions

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement 54:

Nonspendable fund balance – amounts that are not in a spendable form (e.g. inventory) or are legally or contractually required to be maintained intact (e.g. permanent fund principal).

Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g. TABOR).

Committed fund balance – amounts that can be used only for the specific purposes determined by a formal action of the Board. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally

Assigned fund balance – amounts intended to be used by the District 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.

Unassigned fund balance – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

Authority to Designate

The responsibility for designating funds to specific classifications shall be as follows:

Committed fund balance – The Board is the District’s highest level of decision-making authority. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

Assigned fund balance – The Board delegates to the Superintendent, the Chief Financial Officer, the Director of Budget and Planning and the Director of Fiscal Services the authority to assign fund balances to be used for specific purposes.

Order of Expenditure

When multiple categories of fund balance are available for expenditure, the District will use the most restricted category first before moving down to the next most restrictive category with available funds.

Minimum Balances and Other Criteria

1. **Maintain a Positive Cash Balance.** As per Colorado revised statute 22-44-113, interfund borrowing requires prior approval from the Board of Education. Approved borrowings will also define the terms of repayment.
2. **An Asset Sufficiency Ratio of One-hundred (100) Percent or Greater.** This is a state measure used for all districts to evaluate fiscal health. (Fund total assets/fund total liabilities = asset sufficiency ratio). Governmental funds are excluded from this calculation as they use a modified accrual basis of accounting.
3. **Three (3) Percent TABOR Emergency Reserve.** The District shall maintain the 3% Emergency Reserve requirement in either cash or real estate, in accordance with the State constitution and statutes.
4. **Operating Reserves.** The General Fund will maintain at least a four (4) percent fund balance based on the current fiscal year adopted expenditure budget. The 4% General Fund reserve shall be exclusive of school carryover accounts. The proprietary funds will maintain a five (5) percent net position reserve based on the prior year expenses.
5. **Capital Reserves.** The Capital Reserve Fund shall maintain a \$1 million contingency fund for unexpected capital project emergencies. In the event the contingency is used, the emergency reserve shall be replaced in the following year’s budget.
6. **Positive unassigned or unrestricted fund balance.** The general fund and proprietary funds will have a positive unassigned or unrestricted fund balance. The general fund will be negative until sufficient reserves are built as described above.

The year-end required fund balance/net position could be used for only the following:

1. An unexpected loss of revenue, or
2. An extraordinary expenditure.

If any part of required fund balance/net position is used in any fiscal year to cover an unexpected loss of revenue or extraordinary expenditure, the plan is submitted for the following fiscal year(s) and should include the reinstatement of the balance.

The following table outlines the requirements for each fund:

| Fund | Maintain a Positive Cash Balance | Asset Sufficiency of 1 or Greater | 3% TABOR | Fund Balance/Net position |
|---------------------------|----------------------------------|-----------------------------------|----------|---------------------------|
| General Fund | X | n/a | X | 4% |
| Other Funds: | | | | |
| • Debt Service | X | n/a | n/a | n/a |
| • Capital Reserve | X | n/a | n/a | \$1,000,000 |
| • Food Service | X | X | n/a | 5% |
| • Risk Related Activities | X | X | n/a | 5% |
| • Production Printing | X | X | n/a | 5% |

Adopted September 25, 2013
Revised March 7, 2014
Revised March 18, 2015

LEGAL REFS.: C.R.S. 22-32-109 (1)(b)
C.R.S. 22-44-102 (7.3)
C.R.S. 22-44-103 (1)
C.R.S. 22-44-105 (1.5)(a)&(c)
C.R.S. 22-44-113
GASB Statement 54

CROSS REF.: DB, Annual Budget
DBJ, Budget Transfers
GAAP: Generally Accepted Accounting Principles (GAAP) refers to the common set of accounting principles, standards and procedures that organizations use to compile their financial statements. GAAP are imposed on organizations in order that stakeholders have a minimum level of consistency in the preparation of financial statements.