Sparta Area School District

Article 157 – Fund Balance – General Fund

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 represent the District’s cash position. Cash is an asset, but is 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 cash.

The Board of Education recognizes the need for maintaining sufficient fund balance in the General Fund to:

1. provide adequate working capital sufficient to meet the District’s cash-flow requirements, thus minimizing any cash-flow (short-term) borrowing during the annual operating cycle;

2. function as a safeguard to fund unanticipated expenses that the District might incur or to fund unrealized revenues which may occur but shall not be considered available to meet recurring operation expenses; and

3. demonstrate fiscal responsibility resulting in a high credit rating which will help to reduce the District borrowing costs.

In recognition of these needs, the Board of Education shall continually strive to develop operating budgets, which will add sufficient funds each year to maintain a minimum of 15 percent of total operating expenses in the fund balance with the long-term goal of obtaining a fund balance of sufficient enough to eliminate the need to cash-flow borrow.

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:

- Non-spendable – not in spendable form or legally or contractually required to be maintained intact (example: inventory, principal of a permanent fund).
- Restricted – resources are constrained by creditors, grantors, 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.

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

Legal Reference:
Cross Reference:
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