

## **Operational Services**

### **Board Fund Balance Policy**

Adequate financial planning is necessary to operate the schools and provide the highest quality educational programs possible, consistent with the financial resources available.

#### **Definitions**

For purposes of this policy, fund balance is defined as follows:

The total fund balances of the Education, Operations & Maintenance, Transportation, and Working Cash funds less any reserve amount the use of which has been restricted by the Board. In the event that the fund balance of the IMRF/SS Fund is less than zero, such negative amount shall be considered in the definition.

For purposes of this policy, total direct expenditures are defined as follows:

Total expenditures from all direct sources, comprised of the Education, Operations & Maintenance, Transportation, IMRF/SS, and Working Cash Funds. Consistent with the manner in which total direct expenditures are included in the District's Annual Financial Report which is submitted to the Illinois State Board of Education, total direct expenditures shall not include the TRS On-Behalf Payments.

For purposes of this policy, fund balance percentage is defined as follows:

Fund balance/total direct expenditures, rounded to nearest whole percentage.  
Example: Fund balance of \$45,000,000 and total expenditures of \$150,000,000 would be equal to a 30% fund balance.

Each fiscal year the Board of Education will evaluate the fund balance as a function of its budget process to determine the necessary process to abide by this policy.

#### **Minimum Fund Balance**

To move forward with financial planning and operational budgeting initiatives, the Board of Education will target a fund balance percentage of not less than 25% (representing approximately three months of operating expenses). The date of measurement shall be June 30 of each fiscal year, and the measurement shall be consistent with that reported in the District's Annual Financial Report filed with the Illinois State Board of Education. If the fund balance percentage falls below the target specified in this Policy, the goal of the Board of Education shall be to budget an annual surplus to restore the fund balance percentage to not less than that target stated in this Policy. The fund balance percentage should be considered relative to other necessary budgetary items such as normal building maintenance, adequate teacher allocation and desired educational initiatives. To this end

the Board should foster community understanding of the various fiscal requirements to support this Fund Balance Policy, which may include budget reductions and/or tax increases through referenda from time to time.

Use of Excess Funds in Fund Balance

For calculating the excess funds in the fund balance, the Board shall use the fund balance percentage as defined in this Policy.

It is the policy of the Board that any fund balance in excess of the target described above should not be used to fund normal operating expenses, but may (in the discretion of the Board and as part of a Board-approved budget and appropriation process) be used only for the following purposes:

- (a) To fund capital improvements to District facilities; and/or
- (b) To fund new program initiatives (or expansions to existing programs) for not more than one year, in order to provide the District’s administration time to determine the feasibility of the program and/or to explore sustainable funding options for the program; and/or
- (c) To cover funding shortfalls for not more than one year while funding and/or programming changes are explored to permit the program to be continued within the District’s Operating Budget.

Designation to Assign Fund Balance

The Board-appointed Treasurer shall designate how fund balance monies are to be expended. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

LEGAL REF.: 105 ILCS 5/10-17, 5/10-22.33, 35 ILCS 100/18-55 et seq.

CROSS REF.: 4.10

Adopted: June 12, 2012

Revised: June 14, 2016