

## Operational Services

### Fund Balance

#### Purpose

Kendall County Special Education Cooperative (KCSEC) is dedicated to maintaining a reasonable fund balance sufficient to mitigate current and future financial risks. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by KCSEC as well as categories of reported fund balance.

#### Definitions

**Fund** – For purposes of this policy a fund is defined as fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. KCSEC maintains separate funds as required by the Illinois State Board of Education (ISBE). The record of fund activity is maintained in the KCSEC financial accounting software and is reported annually in KCSEC’s annual financial report (AFR).

Governmental fund types are used by KCSEC include the general fund and a special revenue fund.

**General Fund** - The general fund should be used to account for and report all financial resources not accounted for and reported in another fund.

**Special Revenue Funds** – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establish that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. If KCSEC no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources, KCSEC should discontinue reporting a special revenue fund, an instead report the fund’s remaining resources in the General Fund.

<u>Fund</u>	<u>Fund Type</u>
Educational	General
Transportation	Special Revenue

**Fund Balance** – Fund balance is a measure of available financial resources. Fund balance is the difference between a fund’s assets and liabilities.

Statement No. 54 of the Governmental Accounting Standards Board (GASB) *Fund Balance Reporting and Governmental Fund Type Definitions* establishes five classifications of fund balance for use by governmental entities:

1. The Nonspendable Fund Balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, such as inventories and prepaid amounts or (b) legally or contractually required to be maintained intact.
2. Restricted Fund Balance reflects resources that are subject to enforceable legal restrictions by outside parties such as creditors (through debt covenants), grantors, contributors, or other governments. Such restrictions include grants and other restricted sources.
3. Committed Fund Balance is government imposed constraints on the use of resources by formal action of KCSEC’s Governing Board through Board Resolution. The constraint

remains binding unless removed by formal action of the Governing Board. The formal action should describe the revenue source considered to be committed, and the specific purpose of its use.

4. Assigned Fund Balance reflects KCSEC's intended use of resources for a specific purpose and assigned in accordance with the Governing Board or Director. Fund balance may be assigned after the end of the fiscal year. Non-negative residual unrestricted or uncommitted fund balance in funds other than the General Fund will be considered to be assigned.
5. Unassigned Fund Balance is the residual balance reported in the General Fund or a negative fund balance in a fund other than the General Fund.

The classifications set forth by GASB are used for KCSEC's general purpose external financial reporting in accordance with generally accepted accounting principles. KCSEC may use other or additional designations for internal accounting and special purpose reporting. Authority for use and transfer of KCSEC funds arises under State Law; the GASB designations are used for descriptive reporting purposes only and are not intended to express or imply limitation on that authority. Individual KCSEC funds maintained as required by State law and ISBE regulations may contain monies described under more than one GASB classification.

### Policy

#### **Days Cash on Hand**

KCSEC will strive to maintain 90 days Cash on Hand as defined in the Financial Profile Summary of the Illinois State Board of Education Annual Financial Report.

#### **Resource Use Policy**

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available KCSEC considers restricted amounts to have been spent first. Also, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, KCSEC considers committed, assigned, and then unassigned amounts, in that order, to have been spent.

#### **Deficits**

Fund balance deficits in any fund will be budgeted to be reduced and eliminated in a systematic manner through the transfer of resources from other funds as allowable or the distribution of grants.

ADOPTED: December 14, 2011