



Book BYLAWS AND POLICIES
Section 6000 FINANCES
Title FUND RESERVE BALANCE
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1) **GENERAL POLICY STATEMENT**

The Board of Directors (“Board”) recognizes prudent fund balances are essential for the preservation of the financial integrity of Edison School of the Arts (“Edison”) and is fiscally responsible for both Edison and the taxpayer. This policy establishes goals and provides guidance concerning the desired level of year-end fund balances to be maintained by Edison.

Fund balance is a measurement of available financial resources. Fund balance is the difference between total assets and total liabilities in each fund.

Governmental Accounting Standards Board (“GASB”) Statement 54 classifies the fund balances based on the constraints that regulate the purposes for which specific funds can be spent.

Beginning with the most binding constraints, fund balance amounts will be reported in the following five fund balance classifications:

- a) Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact. Example: Inventories
- b) Restricted - amounts limited by external parties, such as grantors or creditors, and laws, regulations, or legislation. Example: Limitations on grant proceeds earned but not spent.
- c) Committed - amounts limited by internal Board policy or by Board action. Example: Future anticipated costs. Action must be taken by the Board to commit fund balances for the designated purpose prior to the end of the fiscal year. A change in the designated use of the committed funds also requires action by Board.



- d) Assigned - amounts that are intended for a particular purpose. The intended use is established by the Board.
- e) Unassigned - amounts available for consumption or not restricted in any manner.

The Board acts as Edison's highest level of decision making. An official Board resolution must be passed in order to establish, modify or rescind a commitment of fund balance.

Edison will strive to maintain an unrestricted fund balance, serving a reserve target, of not less than eight percent (8%) and not more than twenty-five percent (25%) of the expenditures or revenue for that fiscal year.

The total fund balance, consisting of several types of fund balances including restricted, committed, assigned and unassigned, may exceed twenty-five percent (25%).

If the unassigned portion of the fund balance falls below the threshold of eight percent (8%) of budgeted expenditures or revenue, the Board will pursue options for increasing revenues, decreasing expenditures, or a combination of both until eight percent (8%) target is attained. If the unassigned portion of the fund balance exceeds twenty-five percent (25%) of expenditures or revenue for that fiscal year, the Board may utilize a portion of the fund balance by appropriating excess funds for expenditures. Under these circumstances, the goal is to use any excess unassigned fund balance for nonrecurring expenditures.

2) USE OF FUND BALANCE

Should Edison experience a fiscal year of an excess of expenditures over revenues, fund balances will be expended in the following order:

- a) Restricted fund balance to the extent that expenditures related to the restriction contributed to the excess of expenditures over revenues.
- b) Committed fund balance to the extent that expenditures related to the commitment contributed to the excess of expenditures over revenues. If a plan for periodic use of committed fund balance is reviewed and approved by the Board, the committed fund balance will not be reduced by more than the amount designated in the plan.
- c) Assigned fund balance to the extent that expenditures related to the assignment contributed to the excess of expenditures over revenues.
- d) Unassigned fund balance for any remaining excess of expenditures over revenues.



3) **POLICY IMPLEMENTATION**

This policy establishes goals and provides guidance concerning the implementation of the desired level of year-end fund balance to be maintained by Edison.

This policy will be required with full implementation of Generally Accepted Accounting Principles (GAAP) on **July 1, 2020** in accordance with Indiana State requirements. The Treasurer shall be responsible for providing annual GAAP updates to the Board on or before July of each year.

The Board shall periodically review and update this policy as may be necessary to ensure that it meets fund balance targets.

The Executive Director or designee shall be responsible for the enforcement of this policy.