

# Fund Balance Training

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# Topics/Agenda

- **Goals of Training**
  - Understanding Fund Balance
    - Recurring vs Non-Recurring
    - How it Grows/Declines
    - Cash Flows levels affect Fund Balance
    - Fund Balance and Reserves are not necessarily synonymous
  - COA of Fund Balance on Balance Sheet
    - Different classifications for different types of FB
  - Budgeting Appropriation Reserve in the Budget
    - Location 800 Program 9XXX Object 0840.
  - Levels of Fund Balance
  - Strategies

# What is Fund Balance?

- **Fund Balance** – What Is It? Fund Balance is the total accumulation of operating surpluses and deficits since the beginning of a local government's existence.
- In the context of **financial reporting**, the term *fund balance* is used to describe the net position of governmental funds calculated in accordance with generally accepted accounting principles (GAAP).
- $\text{Fund Balance} = \text{Assets} - \text{Liabilities}$

# Fund Balance Characteristics

- Fund Balance either increases or decreases each year based on the difference between revenues and expenditures.
  - Surplus (Rev>Exp) adds to fund balance.
  - Deficit (Rev<Exp) reduces from fund balance.
- Fund Balance is **Non-Recurring**
  - *Best Practice-Don't spend non-recurring money on recurring expenses. Or* have a multi-year plan on how it the expense will be funded with recurring revenue.
- Fund Balance is a combination of required & planned set asides & “Reserve” funds.
  - For many it allows for positive cash flows until March 10th property tax arrive.
- Fund Balance **MUST** be positive, cannot be negative!
  - Negative Fund Balance triggers Office of State Auditor to notify Superintendent and BOE.

# Accounting for Fund Balance on the Balance Sheet

# Categories of Fund Balance (GASB 54) Chart of Accounts

## **Fund Balance Reporting:**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

# Categories of Fund Balance on Balance Sheet (Source Codes listed)

## **Nonspendable Fund Balance-(6710) Chart of accounts - 671X pages 139**

- The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form( i.e. inventories and prepaid) or (b) legally or contractually required to be maintained intact.

Examples of the Other Side of the Entry:

- Inventories (8171, 8172, 8173) = 6710
- Prepaid amounts (8181, 8182) = 6710
- Long-term Loans and Notes Receivable (uncommon) = 6710

Not Counted as Reserve, but are Appropriated

- Remember, nonspendable fund balance is not liquid like cash. It shouldn't be counted as a reserve for those purposes, it is appropriated

# Categories of Fund Balance on Balance Sheet (Source Codes listed)

## **Restricted Fund Balance- Chart of accounts - 672X pages 139-140**

Amounts that are restricted to specific purposes should be reported as restricted fund balance. Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation (TABOR).
- c. Remember, these funds are restricted for a specific purpose and therefore should not be counted as a reserve.



# Categories of Fund Balance on Balance Sheet (Source Codes listed)

## Committed Fund Balance - Chart of accounts - 675X page 140

- Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (**BOE**) should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.
- Committed fund balance should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Develop a tracking method for spending of Committed and Assigned projects.
  - Use SRE or Project Codes
- Remember, committed fund balance is committed for a specific purpose and therefore shouldn't be counted as a reserve, but are appropriated, for those purposes.

# Categories of Fund Balance on Balance Sheet (Source Codes listed)

## Assigned Fund Balance Chart of accounts-676X page 140

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance.

**Intent, but not formal action** should be expressed by (a) the governing body itself **OR** (b) a body (a budget or finance committee, for example) **OR** official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Common examples include:

- Strategic Initiatives
- Annual Replacement Cycles: Capital, Curriculum, & Technology Purchases
- Develop a tracking method for spending of Committed and Assigned projects.
  - Use SRE or Project Codes

Remember, assigned fund balances are assigned to specific projects and therefore shouldn't be counted as a reserve, but are Appropriated.

# Contingency Fund

## General Fund Undesignated Contingency 10-654-00-91000-084000

Date	Date Board Approved	Project Code	Description	Transfer No.	Transfer Amount	Remaining Balance	Cumulative % of Original
07/01/19			Beginning Balance			22,437,905	
12/12/19			<i>TABOR Refund Reserve- Currently no transaction in Psft</i>			5,000,000	
01/30/20			Mid-Year Modification			3,236,264	
07/31/19			Correct MLO Budgets			156,733	
03/13/20			Choice Busing Budget Adjustment			635,000	
			Remaining Balance Before Transfers			20,195,902	
			Remaining Balance After Transfers			19,427,166	
07/01/19	N/A	0000	Tesla security equipment and wages	0000214307	6,000	20,189,902	0.03%
07/09/19	N/A	0000	Cover unanticipated issues throughout year	0000214386	10,000	20,179,902	0.08%
07/19/19	N/A	0000	PeopleSoft enhancements and customizations	0000214669	100,000	20,079,902	0.57%
07/25/19	N/A	0000	Federal audit required testing	0000214784	19,200	20,060,702	0.67%
07/30/19	N/A	0000	Fencing, funds not used 18/19 rollover to FY20	0000214853	20,000	20,040,702	0.77%
07/30/19	N/A	0000	Fencing, funds not used 18/19 rollover to FY20	0000214853	(20,000)	20,060,702	0.67%
08/30/19	N/A	0000	Grad Point classes, Digital/Achieve & RJWAC	0000215633	30,000	20,030,702	0.82%
09/23/19	N/A	0000	IB travel and training	0000216157	6,730	20,023,972	0.85%
10/01/19	N/A	0000	Auditorium lighting repair	0000216287	9,352	20,014,621	0.90%
10/07/19	N/A	0000	E-Waste	0000216438	2,000	20,012,621	0.91%
10/08/19	N/A	0000	Retrofit Special Ed Bus	0000216477	7,000	20,005,621	0.94%
10/14/19	N/A	0000	Cell Antennae school allocations	0000216626	31,792	19,973,829	1.10%
10/31/19	N/A	0000	Extend RFP licensure for posting and evaluation	0000216945	6,600	19,967,229	1.13%
10/31/19	N/A	0000	Business Prime	0000216946	3,800	19,963,429	1.15%
11/12/19	N/A	0000	Nursing equipment	0000021703	9,472	19,953,957	1.20%
11/12/19	N/A	0000	Restorative practices	0000021704	9,500	19,944,457	1.25%
11/15/19	N/A	0000	Reclassification of SSA	0000217281	20,269	19,924,188	1.35%
11/20/19	N/A	0000	Academic Master Plan	0000217373	73,110	19,851,078	1.71%

# Categories of Fund Balance on Balance Sheet (Source Codes listed)

## Unassigned Fund Balance-Chart of accounts - 677X page 140

- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.
- Unassigned FB = Assets less Liabilities less Restricted, Committed, & Assigned Fund Balance.
- *This is the number to use divided by GF Expense to communicate the “Reserve” %.*

# Categories of Fund Balance on Balance Sheet (Source Codes listed)

## Balance Sheet Wrap Up

- Each type of Fund Balance Category should be coded to the specific Balance Sheet Source code depending upon its specific characteristics.
- The Pipeline Report, Bolded Balance Sheet should Align with the published Audit report by category.
  - The TABOR will almost always need to be adjusted, Increase or decrease using 6770 as the other account.
  - Many GL systems “close” Revenue and Expense to 6770. Districts need to make manual journal entries to match the categories listed on the Audit.
- Unassigned Fund balance is used to calculate “reserve” % to fund expense

# Balance Sheet Example

Chart of Accounts		GOVERNMENTAL FUNDS BALANCE SHEET					Total
Balance Sheet	Budget Approp Reserve	Fund Balances	General	Debt Service	Capital Projects	Nonmajor Governmental	Governmental
6710	9900	Inventory	795,000			500,000	1,295,000
		<b>Restricted for:</b>					
6721	9321	TABOR-Emergency Reserve	10,400,000				10,400,000
6722	9322	TABOR-Multi-Year Obligation	1,365,000				1,365,000
6726	9326	Insurance Claims	12,000				
6724	9324	Colo Preschool Program	340,000				340,000
6720	9900	Debt Service		50,000,000			50,000,000
6720	9326	Capital Projects			80,000,000		80,000,000
6720	9900	Student Activities				5,000,000	5,000,000
6720	9900	Food Service				1,500,000	1,500,000
		<b>Assigned for:</b>					
6760	9900	Intercom Project (2019 MLO)	4,500,000				4,500,000
6760	9900	Literacy Adoption	13,000,000				13,000,000
6760	9900	Strategic Initiatives	5,000,000				5,000,000
6760	9900	Pandemic Response	3,500,000				3,500,000
		<b>Unassigned</b>					0
6770	9900	District required Contingency	7,000,000				7,000,000
6770	9900	Appropriated Reserve	17,500,000				17,500,000
<b>Total Fund Balance</b>			<b>63,412,000</b>	<b>50,000,000</b>	<b>80,000,000</b>	<b>7,000,000</b>	<b>200,412,000</b>

Note: The "District" is a requirement of this specific District's Fund Balance Policy, but is still Unassigned



# Budgeting for Ending Fund Balance in the Budget

# Budgeting Fund Balance Categories

## **Appropriated Resolution. 22-44-107(1)**

(1) The board of education of each school district shall adopt an appropriation resolution at the time it adopts the budget. The appropriation resolution shall specify the amount of money appropriated to each fund; except that the operating reserve authorized by [section 22-44-106\(2\)](#) shall not be subject to appropriation for the fiscal year covered by the budget and except that the appropriation resolution may by reference incorporate the budget as adopted by a board of education for the current fiscal year.

It's not an option to under appropriate the resources "Available"



# Budgeting Fund Balance Categories

## Appropriated Reserve Expense Accounts

***COA Balance Sheet-pages 139-140. Expense Account 104-105 & FPP Handbook-pages 26-27***

- Reserve accounts are used in Budgeting ONLY. Actual expenses must be made in the proper expenditure account.
- Appropriated reserve are Ending Fund Balance (BFB+Revenue-Expense). It communicates total “Available” resources, not what is planned to be expended.
- Example Account Segment
  - 10-800-00-9XXX-0840-000-0000
    - 800 location is District Wide
    - 0840 object is Contingency
    - 9XXX is specific program to specific category

# Budgeting Fund Balance Categories

## Appropriated Reserve Expense Accounts

COA Balance Sheet-pages 139-140. Expense Account 104-105 & FPP Handbook-pages 26-27

**Concept: Communicate the District's Available Resources, not what it is planning on spending.**

- **Operating Reserves**, If using, portion of Balance Sheet from 6770. **Expense Program is 9100**. An appropriated reserve available for emergencies. Also can use 9900, other reserves.
- **Non-Appropriated Reserve** BS=Portion of 6770. **Expense=9200**. A reserve considered to be not used in the current Fiscal Year. Shall not exceed 15% of the Current General Fund expense budget.
- For both, especially 9200, Glenn and I would ask, Why? If something comes up and this reserve is needed, then the BOE has to do a supplemental and a new appropriation. Why not just put it in Other Reserve 9900?

# Budgeting Fund Balance Categories

## Appropriated Reserve “Expense” Accounts

*COA Balance Sheet-pages 139-140. Expense Account 104-105 & FPP Handbook-pages 26-27*

### Restricted Fund Balance Source Codes (BS = Balance Sheet)

- Tabor Reserve BS= 6721, Expense Program=9321
- Multi-Year Obligation BS 6722, Expense Program=9322-0840
- District Emergency Reserve- *Used when the 3% Emergency is designated real property (Letter of Credit or Real Estate)* BS 6723 Expense Program=9321, Expense Program=9323. Colo. Preschool Program BS=6724, Expense Program=9324
- Risk-Related/Restrict Capital Reserve BS=6726, Expense Program=9326
- BEST Capital Renewal BS=6727, Expense Program=9327
- Total Program Reserve BS=6728, Expense Program=9328

## Appropriated Reserve Expense Accounts

***COA Balance Sheet-pages 139-140. Expense Account 104-105 & FPP Handbook-pages 26-27***

- **Other Reserves BS= 675X, 676X, 677X Expense=9900.** Used to designate any other reserves not classifiable in the reserves previously listed.

# Budgeting Fund Balance Categories

## Appropriated Reserve Expense Accounts Example

	Source Code	Ex # 1	Ex # 2	Ex # 3
BFB Not Budgeted		1,000,000	1,000,000	1,000,000
Revenue		2,500,000	2,500,000	2,400,000
Expense		2,500,000	2,400,000	2,500,000
S/(D)		0	100,000	(100,000)
EFB		1,000,000	1,100,000	900,000
Tabor Appr Reserve	9321	75,000	75,000	75,000
Other Reserves	9900	925,000	1,025,000	825,000
Appropriation		3,500,000	3,500,000	3,400,000
<b>Appropriation = Budgeted Expense PLUS Estimated Ending Fund Balance</b>				

Again, there are no expenses applied to the Appropriated Reserve. It is the mechanism to communicate how much resources the District has **available**, not planning on spending.

# Budgeting Fund Balance Categories

## Example From Audit

	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 13,099,830	\$ 13,325,533	\$ 13,312,575	\$
Specific ownership taxes	1,400,000	1,550,000	1,716,665	
Federal sources	1,615,063	1,603,775	1,655,360	
State sources				
Equalization	10,166,019	10,119,147	10,426,434	
Transportation	165,000	170,037	179,276	
Other State	1,297,998	1,928,726	1,430,742	
County sources, mineral leases	4,500	2,826	2,826	
Local and intermediate sources	3,311,590	3,174,955	3,129,398	
Interest	50,000	30,000	20,305	
Total revenues	31,110,000	31,904,999	31,873,581	
<b>EXPENDITURES</b>				
Current				
Instruction services	18,675,970	18,166,629	17,835,481	
Supporting services				
Pupil support services	1,812,700	2,153,045	1,980,953	
Instructional staff	1,796,054	2,169,629	2,411,678	
General administration	805,268	814,630	707,186	
School administration	1,930,448	1,937,614	1,838,298	
Business services	584,727	561,821	625,222	
Operations and maintenance	2,720,069	2,746,479	2,613,738	
Transportation	1,086,851	1,130,137	1,106,397	
Central support	1,767,750	2,019,834	1,997,686	
Debt service				
Principal	130,000	130,000	130,000	
Interest on COPs	75,161	75,181	75,180	
Contingency	7,173,530	7,444,092	-	
Total expenditures	38,558,528	39,349,091	31,321,819	
Excess of revenues over (under) expenditures	(7,448,528)	(7,444,092)	551,762	



# Budgeting Fund Balance Categories

## Appropriated Reserve Expense Accounts Wrap Up

- Communicate all District's available resources in the Budget, not what it is planning on being spent.
- Ensures that the District's Appropriation is statutorily correct.
- No Expenses are ever booked to these accounts. Expense is booked to the proper Expenditure account.
- If Appropriated Reserve(i.e. Ending Funding Balance) is less than Beginning Fund Balance,
  - Expenses are Higher than Revenue
  - Beginning Fund Balance Resolution is needed.

# Balance Sheet & Budgeted Appropriation Example

Chart of Accounts		GOVERNMENTAL FUNDS BALANCE SHEET						Total Governmental
Balance Sheet	Budget Approp Reserve	Fund Balances	General	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental	
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		<b>Restricted for:</b>						
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		<b>Unassigned</b>					0	
6770	9900	District required Contingency	7,000,000				7,000,000	
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# Fund Balance Levels & Strategies

**How much Fund Balance  
should a district have?**

**We need it for a “rainy” day**

# Appropriate Level Considerations

- How knowledgeable is your “Leadership” about the District’s Budget/Finances?
- Are your Cash Bank Reconciliations done monthly, tying to the General Ledger?
  - What is your cash flow consideration?
- How “Spendy” or “Thrifty” is your Superintendent and/or Board of Education?
- Do you have a Fund Balance Policy?

# Fund Balance Policy Criteria

## 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 less reserves/contingency. The proprietary funds will maintain a five (5) percent net position based on the current fiscal year adopted expense budget less reserves/contingency.
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.

Example [Poudre School District](#) Fund Balance Policy



# Fund Balance Policy Limits Best Practice Sample

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%
<b>Other Funds:</b>				
• Debt Service	X	n/a	n/a	n/a
• Capital Reserve	X	n/a	n/a	\$1,000,000
• Food Service	X	n/a	n/a	n/a
• Risk Related Activities	X	X	n/a	5%
• Production Printing	X	X	n/a	5%

# Fund Balance Examples

## What does your District Look Like?

Sort by Fund Balance/Pupil						
Non-Spendable	Restricted - TABOR	Committed	Assigned	Unassigned	Total	Fund Balance/Pupil
1,552,573	14,849,944	22,174,053	68,076,581	42,310,014	148,963,165	\$4,759
5,167,959	13,894,073	200,000	107,522,600	20,475,322	147,259,954	\$3,720
22,184	16,096,290	0	46,913,838	13,479,602	76,511,914	\$2,557
767,984	5,793,283	0	10,656,337	46,679,852	63,897,456	\$2,392
2,479,831	19,776,229	12,498,349	41,222,766	9,949,454	85,926,629	\$2,270
5,670	3,317,249	8,900,000	3,821,521	10,724,297	26,768,737	\$2,268
1,131,194	20,855,636	0	48,127,421	107,908,664	178,022,915	\$2,166
695,188	5,060,000	1,377,301	7,460,324	15,580,726	30,173,539	\$2,040
83,117	6,992,000	0	9,509,613	34,593,804	51,178,534	\$1,998
2,043,846	20,217,904	17,311,000	53,996,698	24,230,656	117,800,104	\$1,801
3,963,056	10,807,521	0	0	39,287,732	54,058,309	\$1,784
380,052	13,029,262	6,028,406	0	20,367,096	39,804,816	\$1,775
1,930,604	6,705,253	0	8,474,300	12,159,638	29,269,795	\$1,760
414,396	6,353,954	5,300,437	13,224,545	6,430,678	31,724,010	\$1,685
0	5,128,807	0	0	19,769,212	24,898,019	\$1,602
2,692,261	18,609,000	30,292,857	25,899,262	9,281,247	86,774,627	\$1,591
1,238,552	33,618,750	1,448,767	37,325,391	45,424,828	119,056,288	\$1,306
32,097	2,492,100	0	704,963	8,916,097	12,145,257	\$1,182
217,625	10,703,023	7,143,056	5,629,596	0	23,693,300	\$918
236,890	759,232	0	0	13,936,198	14,932,320	\$697

**No Correct Answer, District Specific! Can be too high & too low**



# Levels of Fund Balance

- **There is no universal correct answer for all districts.**
- **Do you have Cash Flow Concerns?**
  - Districts with higher Local Property tax than State Share for Total Program.
  - Districts with high MLOs for operations.
- **Which students deserve these resources?**
  - Does the BOE value having Fund Balance Growth?
  - Are you maximizing annual resources on the students that year?
  - Are District's audited budget to actual variances usually favorable in both Revenue and Expense, thus growing Fund Balance?
- **How "Urgent" is your District's Mission?**
  - Does the BOE value Fund Balance Growth more than expending resources on today's students?
- **Common Reserve Levels:**
  - Large Districts - 5-20% on top of the required TABOR reserve
  - Medium Districts - 10-50% on top of TABOR reserve
  - Smaller Districts - 15-100+% on top of TABOR reserve
  - Remember, one month of expenditures equals 8.33%

# Appropriate Level

In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

1. **The predictability and timing of its revenues and the volatility of its expenditures** (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
2. **Its perceived exposure to significant one-time outlays** (e.g., disasters, immediate capital needs, state budget cuts);
3. **The potential drain upon general fund resources** from other funds, as well as, the availability of resources in other funds;
4. **The potential impact on the entity's bond ratings** and the corresponding increased cost of borrowed funds;
5. **Commitments and assignments** (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose). Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance, rather than on unrestricted fund balance.



# Questions to ask when considering fund balance

- What is my budget to actual variance for revenues?
- What is my budget to actual variance for Salaries & Benefits?
- What is my budget to actual variance for other expenses?
- Are we saving up for major expenses (BEST/Construction)
- Are certain schools/depts NOT spending their budget? Why?
- Are certain departments regularly overspending their budget?
  - Do you have controls to prevent this?
  - Is it a result of unforeseeable circumstances?
  - Is it a recurring or non-recurring problem?
  - Do you have a process to address these challenges on a regular basis?
- What is my budgeted recurring/non-recurring mismatch?
  - What is the calculation of recurring revenues - recurring expenditures?
  - If spending FB on recurring items, do I have a plan for how deficit spending will end?
- Do I have unusual non-recurring items included in my budget?
  - Grants, especially ESSER, expire. What is the plan when the revenue is not there.

# Strategies to Deploy Fund Balance

- If thinking about spending Fund Balance and have a high FB%
  - Use more aggressive budgeting. Actual Revenues less than Actual Expenses will lower Fund Balance.
    - Need to understand historical actual to budget variances
  - How up to date are the following replacement plan items:
    - Vehicle Fleet (yellow and white fleet)
    - Curriculum
    - Technology
    - Deferred Facility Maintenance
  - Other non-recurring items:
    - Staff Bonuses (with or without PERA)
    - Professional Development
    - Facilities always has needs (carpet, paint, mowers, plows, small equip, building improvements, etc)
    - Special projects or events
  - What is the plan to not have ongoing deficits if spending on recurring expenses

# Questions to ask when considering fund balance

- What is my budget to actual variance for revenues?
- What is my budget to actual variance for Salaries & Benefits?
- What is my budget to actual variance for other expenses?
- Are we saving up for major expenses (BEST/Construction)
- Are certain schools/depts NOT spending their budget? Why?
- Are certain departments regularly overspending their budget?
  - Do you have controls to prevent this?
  - Is it a result of unforeseeable circumstances?
  - Is it a recurring or non-recurring problem?
  - Do you have a process to address these challenges on a regular basis?
- What is my budgeted recurring/non-recurring mismatch?
  - What is the calculation of recurring revenues - recurring expenditures?
  - If spending FB on recurring items, do I have a plan for how deficit spending will end?
- Do I have unusual non-recurring items included in my budget?
  - Grants, especially ESSER, expire. What is the plan when the revenue is not there.

# Strategies to Deploy Fund Balance

- If thinking about spending Fund Balance and have a high FB%
  - Use more aggressive budgeting. Actual Revenues less than Actual Expenses will lower Fund Balance.
    - Need to understand historical actual to budget variances
  - How up to date are the following replacement plan items:
    - Vehicle Fleet (yellow and white fleet)
    - Curriculum
    - Technology
    - Deferred Facility Maintenance
  - Other non-recurring items:
    - Staff Bonuses (with or without PERA)
    - Professional Development
    - Facilities always has needs (carpet, paint, mowers, plows, small equip, building improvements, etc)
    - Special projects or events
  - What is the plan to not have ongoing deficits if spending on recurring expenses

# Strategies to Increase Fund Balance

- If trying to increase Fund Balance
  - Revenues > Expenses will grow Fund Balance
- Budget pupil count conservatively
- Budget revenues conservatively
- Make sure staffing budgets are accurate
- Build cushion into expenditure budgets in order to mitigate surprises
- Capture the savings from staffing vacancies
- Make sure you use modeling for more accurate expenditure estimates
- Consider leveraging alternative sources of revenue:
  - Indirects on Nutritional Services(only applicable if you are not transferring money from GF) & Grants
  - Investment Income
  - Maximize State categoricals
  - Capture General Fund savings from grant covered expenses-Supplanting issue-

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# Wrap up & Conclusion

- Determine the correct categories of Fund Balance
- Use the Appropriation Reserve to accurately appropriated not only *expected* spending, but what is *available* to spend.
- **Communicate with Superintendent and BOE to determine Fund Balance levels. Consider “assigning” unrestricted fund balance to cover replacement schedule items.**
- Fine tune your budget to maximize resources on the students of today, while being prepared for the future. After a January revised budget revenue variance can be +/- 2% & expenses can be +/-2-5%

# Specific Questions

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