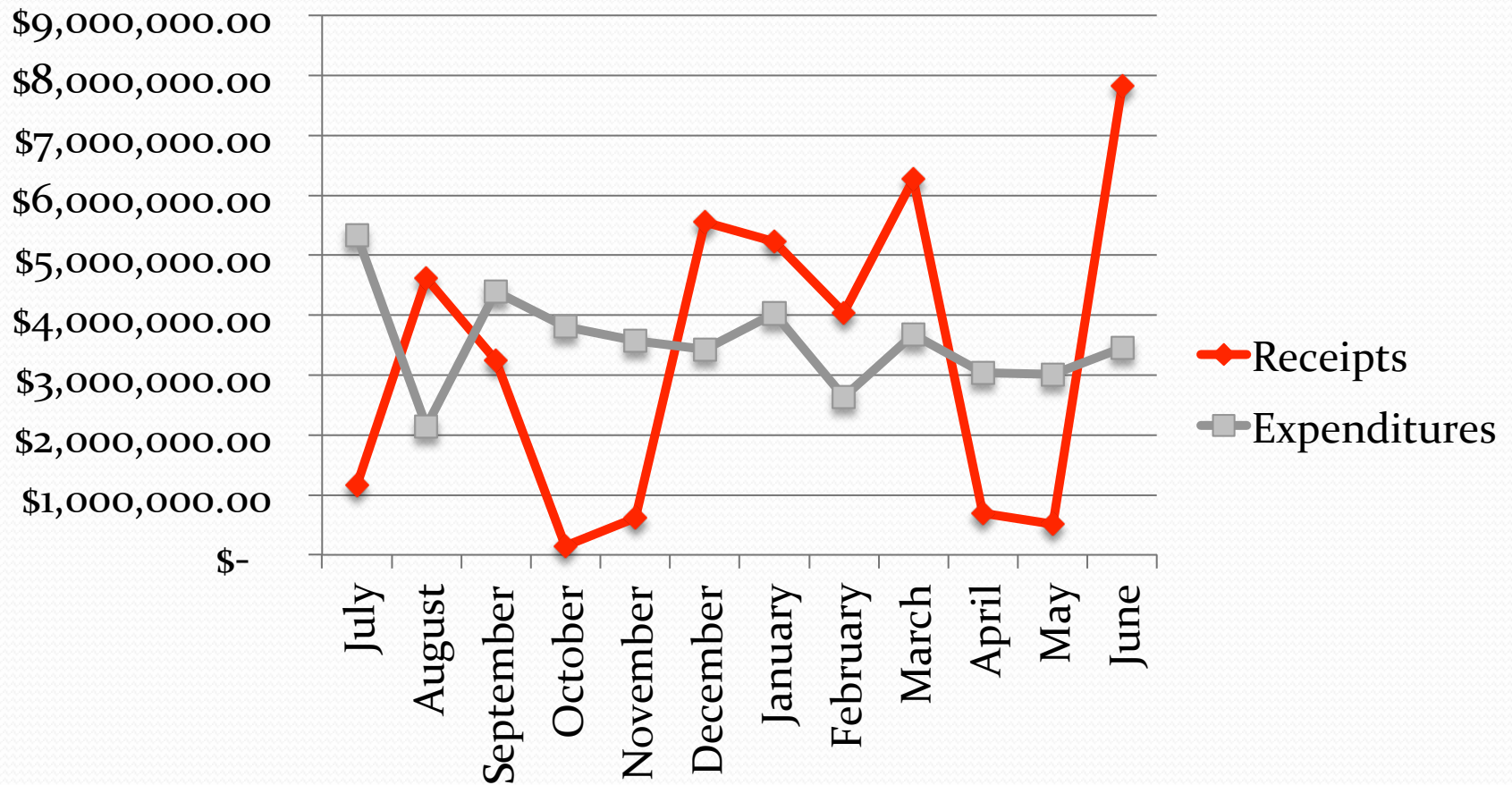


What is Fund Balance?

- The difference between assets and liabilities (equity)
- Assets-cash, investments, prepaid expenses, receivables
- Liabilities-payroll payables, payroll liabilities (WRS, FICA, etc..)
- In a fiscal year (July 1-June 30th), when revenues exceed expenditures, fund balance is increased, when expenditures exceed revenues, fund balance is decreased.
- Fund balance is reported as of June 30th each fiscal year.

- Fund balance often changes daily. When revenues come in, a fund balance increases. When expenditures are made fund balance decreases.
- Cash flow fluctuations:
 1. Expenditures fairly constant-accounts payable and payroll.
 2. Revenues are not as constant. Examples: property tax received, state aid payment schedule, legislative decisions (delayed aid) etc....

Receipts vs. Disbursements



Example of State Equalized Aid Payment Schedule (current WI Stats.)

- In 2016-17 we will receive **\$20,240,766**-largest source of revenue.
- **July**-delayed aid from 2015-16-approx. 1.75%
- **Sept.**-approximately 15% of 2015-16 amount (less est. delay of 1.72%). 2016-17 aid certified on Oct. 15th.
- (lag in payments received)
- **December**-40% (less delayed and Sept. payment, and est. delayed aid 1.75%)
- **March**-25% (less est. delayed aid 1.75%)
- **June** (19th)-35% (less est. delayed aid 1.75%)

What is a Sufficient Fund Balance?

- Per the Department of Public Instruction:

“The Department of Public Instruction makes no recommendation regarding the amount a district should have as its General Fund balance, except that the department encourages districts to seek legal counsel should they contemplate budgeting for and/or operating with a negative general fund balance. A district with an appropriate fund balance can:

- avoid excessive short term borrowing;
- accumulate sufficient assets to make designed purchases or cover unforeseen expenditure needs; and
- demonstrate financial stability and therefore preserve or enhance its bond rating, thereby lowering debt issuance costs.”

Continuation of DPI's Recommendation of Fund Balance

Per the DPI:

“The most commonly asked question regarding fund balance is how large should it be? Perhaps the best answer would be, “an amount sufficient that short term borrowing for cash flow could be avoided and would also allow the district to set aside sufficient assets to realize its longer range goals. However, this may not always be practical or politically possible”

Source: <https://dpi.wi.gov/sfs/finances/school-district-fund-balance>

School District of Milton Fund Balance (General Fund)

- Audited 2015-16 Financial Statements-as reported to DPI:

| | Beginning of Year | End of Year |
|-------------------|--------------------------|--------------------|
| Total Assets | \$10,041,113.55 | \$11,491,864.94 |
| Total Liabilities | \$2,115,942.25 | \$4,077,717.50 |
| Fund Equity | | |
| Assigned | \$120,488.31 | \$103,113.72 |
| Unassigned | \$7,804,682.99 | \$7,311,033.72 |
| Total Equity | \$7,925,171.30 | \$7,414,147.44 |

Fund Balance as a % of Expenditures

- Audited 2015-16 fund balance is reported at 19% of total expenditures in the General Fund (Fund 10).
- Wisconsin Taxpayer's Alliance (School Facts 2016) published the average fund balance for k-12 public school districts (minus Milwaukee Public Schools) at 23% for 2014-15. Published for 2015-16 budgeted funds indicates an average fund balance at 21.7%.
- Johnson Block & Co. (auditors) indicate a range of 15-25% is what they would like to see in unassigned fund balance.

GASB 54 Fund Balance Classification

- Nonspendable: (a) not in spendable form or (b) legally or contractually required to be maintained in tact.
- Restricted: (a) imposed by creditors etc.. (b) imposed by law through the constitution or legislation.
- Committed: reflects a specific purpose, approved at the highest level (generally a governing board); constraints can only be removed or changed by the same form of formal action.
- Assigned: reflects amounts that are to be used for a specific purpose, but meet neither the restricted nor committed forms of constraint.
- Unassigned: the residual classification for classification for the general fund only. Sub classifications are available to use, but at present DPI does not require use.
- Neola Policy 6235(pending final approval)

School District of Milton

- Historically, we have borrowed annually for cash flow purposes. In 2014-15 we did not need to borrow for cash flow. (fund balance was 22% 6-30-2014)
- Bond rating implications-rating agencies look closely at the level of fund balance, as well as the district's reasons for use of fund balance. Our current Moody's bond rating is a Aa3. This rating indicates "Obligations are judged to be of high quality and are subject to low credit risk." (source: www.moody.com)

[link to historical cash flow](#)

[link to bond rating annual comment](#)