BACKGROUND
The Governmental Accounting Standards Board (GASB) has issued Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

PURPOSE
The Cecil County Board of Education has enacted the following policy to establish financial stability by setting guidelines for the General Fund balance. The Board’s primary objective is to maintain a prudent level of financial resources to mitigate financial risk that can occur from unforeseen revenue fluctuations and unanticipated expenditures. The fund balance also provides cash flow liquidity for the School System’s general operations of which approximately 85% is bi-weekly payroll and related fixed charges.

DEFINITIONS
Fund balance -- The excess of assets over liabilities in a governmental fund.

Non-spendable fund balance -- Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as deposits).

Restricted fund balance -- Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

Committed fund balance -- Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose, unless the government takes the same highest-level action to remove or change the constraint.
Assigned fund balance -- Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance -- Amounts that are available for any purpose; these amounts are reported only in the General Fund.

POLICY STATEMENT
The fund balance of the Board of Education of Cecil County has been accumulated to meet this purpose, to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

The target is to maintain a total fund balance of not less than $5\%$ of annual operating expenditures for the fiscal year.

The Board's basic goal is to maintain annual expenditure increases at a growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain a total fund balance of not less than $5\%$ of operating expenditures stems from the following:

- This amount provides the liquidity necessary to accommodate the Board's uneven cash flow.
- This amount provides the liquidity to respond to contingent liabilities.

Beginning in Fiscal Year 2011, unassigned fund balance shall be any remaining amounts.

This policy may be amended from time to time per the Board of Education.

The Board will spend the most restricted dollars before less restricted in the following order:

1. Non-spendable (if funds becomes spendable)
2. Restricted
3. Committed
4. Assigned
5. Unassigned