



An Explanation and Overview of Fund Balance

September 25, 2012

Where Does Fund Balance Come From?

Fund balance is the net position of a governmental fund. It is the difference between assets (things we have and own) and liabilities (claims against those assets). **Fund balance results when revenues are higher than expenses. Fund balance decreases when expenses exceed revenues.**

School Construction Fund Balance Comes From

- Transfers in the operating budget approved by the elected Board of Education and County Commissioners
- Budget amendments approved by the elected Board of Education and County Commissioners
- Amounts already budgeted and approved by the County Commissioners in the Capital Outlay section of the budget
- Stadium Fund receipts for Greenway and Mountain Ridge Stadium
- Private donations – Allegany County Public Schools Foundation Inc.
- Aging Schools allocation from state government

Categories of Fund Balance

Non Spendable – Resources that can not be spent because they are not in a spendable form (inventory) or because of a legal or contractual requirement to be maintained in tact

Restricted – Constraints on the use of resources that are externally enforceable

Committed – Constraint on resources by the highest level of decision making

Assigned – Resources that are set aside (earmarked) for some particular purpose

Unassigned – Resources not counted or required to be accounted for in another category listed above

Can A School System Have A Negative Fund Balance?

- Yes but the school system must file a corrective action plan with the State Superintendent within 15 days , file monthly reports with the State Superintendent and county government. The State Superintendent will report this in the quarterly report to the Governor and General Assembly.
- The school system may be subjected to requests from the Office of Legislative Audits
- In summary if you have a negative fund balance, you have to file reports and develop a plan on how you will eliminate the negative fund balance.
- Having a negative fund balance is like not changing the oil in your car – you don't have to do but you wish you would have if you did not.

How Much Fund Balance Should You Have?

Government Finance Officers Association – Best Practice

The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances. **Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.**⁵ The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.⁶ Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time.

For ACPS, 2 months of regular general fund operating revenues would equate to approximately \$19 million dollars. General Fund for ACPS would include on the unrestricted and restricted fund. It would not include the School Construction Fund.

Does A School System Need A Fund Balance?

Yes – The school system fronts the expenses for salaries, benefits, materials, supplies, equipment and then is reimbursed after the funds are spent by grants and state and county appropriations for school construction projects. The federal Cash Management Improvement Act (CMIA) requires this of the school system.

The school system annually spends about \$10 million in federal and state grants in which money is spent first and then the school system is reimbursed after the expenditure.

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund (Current Expense) Unrestricted	(Current Expense) Restricted	Food Service	School Construction	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 11,237,827	\$ -	\$ 1,651	\$ 8,193,780	\$ 19,433,258
Investments	25,000,000				25,000,000
Accounts receivable	912,592	916,528	122,074	1,676,288	3,627,482
Inventory - food			213,786		213,786
Internal receivables		2,237,140	172,849		2,409,989
TOTAL ASSETS	37,150,419	3,153,668	510,360	9,870,068	50,684,515
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	1,036,870	109,337	9,746	250,382	1,406,335
Salaries and benefits payable	3,688,060	328,284	38,468		4,054,812
Internal payables	7,150,354			1,562,350	8,712,704
Deferred revenues	1,716,692	2,716,047			4,432,739
Accrued hospital insurance	8,895,040				8,895,040
Current portion of long-term debt	138,604				138,604
Other current liabilities	2,007,130				2,007,130
TOTAL LIABILITIES	24,632,750	3,153,668	48,214	1,812,732	29,647,364
FUND BALANCES					
Nonspendable - food inventories			213,786		213,786
Restricted - capital projects				6,293,892	6,293,892
Committed - FY12 budget	2,537,887				2,537,887
Assigned to:					
Contingencies	5,500,000				5,500,000
Textbooks	700,000				700,000
Unemployment benefits	50,000				50,000
Capital Projects				1,763,444	1,763,444
Food Service			248,360		248,360
Unassigned	3,729,782				3,729,782
TOTAL FUND BALANCES	12,517,669	-	462,146	8,057,336	21,037,151
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,150,419	\$ 3,153,668	\$ 510,360	\$ 9,870,068	\$ 50,684,515

ALLEGANY COUNTY BOARD OF EDUCATION
SCHOOL CONSTRUCTION
FUND BALANCE ANALYSIS
YEAR ENDED 6-30-11

	<u>BALANCE PER</u>
RESTRICTED:	<u>LEDGER</u>
MAINTENANCE BUILDING	\$ 136,211.60
AGING SCHOOL PROJECT - BE WALL	(15,211.50)
AGING SCHOOL PROJECT - FS VEH ACCESS	31,928.24
AGING SCHOOL PROJECT - MATCH	203,777.84
AGING SCHOOL PROJECT - GC CHILLER	(12,500.00)
AGING SCHOOL PROJECT - WT PLAYGROUND	198,652.15
WESTERNPORT PLAYGROUND -QZAB	78,000.00
SOUTH PENN ADDITION	734,793.00
FORT HILL ROOF	603,000.00
EK HVAC	19,923.82
PARK SIDE AC	7,902.53
PARKING LOTS	8,337.68
WEST SIDE BUS LOOP	153,815.45
CC AUTO TECH	50,000.00
AD MICROCOMPUTER AREA	27,196.86
CRESAPTOWN DRAINAGE	(4,902.07)
GA RENOVATION	(617,020.53)
GA STADIUM FUND	279,624.65
PA PLAYGROUND	-
JOHN HUMBIRD OUTDOOR PROJECT	201,000.00
MOUNTAIN RIDGE STADIUM	(112,704.86)
MOUNTAIN RIDGE STADIUM FUND	25,105.80
CITY SCHOOL STUDY	1,839,503.44
SINKING FUND - WIRELESS EQUIPMENT	1,000,000.00
SINKING FUND - STADIUM TURF	400,000.00
FIBER PROJECT	325,000.00
IT SWITCHES	11,130.06
DOOR SECURITY	85,891.75
BEL AIR BRIDGE	(3,896.00)
ALLEGANY STAGE LIGHTS	2,400.00
ALLEGANY GENERATOR	16,900.00
MOUNTAIN RIDGE LOCAL	620,031.95
	-
TOTAL RESTRICTED FUND BALANCE @ 6-30-11	\$ 6,293,891.86
	-
UNRESTRICTED	1,763,443.85

Cumberland Secondary Schools - School Construction Fund
As of 6/30/11

A total of \$2,030,000 approved or transferred in

- \$30,000 for a feasibility study in FY2009 budget
- \$1,000,000 each in budget amendments in FY2010 and FY2011

A total of \$190,497 spent

- \$115,520 for Eperitus
- \$23,977 YES Consulting
- \$51,000 Grimm and Parker

At 6/30/11 a total of \$1,839,503 was left to spent on Cumberland Secondary Schools

Note: \$2,030,000 less \$190,497 equals \$1,839,503

How Does The School System Manage Its Fund Balance?

- A monthly budget comparison of the unrestricted fund and summary reports by functional area and chief/director/supervisor is provided monthly to the Superintendent
- A fund balance projection along with areas of change is provided monthly to the Superintendent starting in January of the fiscal year
- After the fiscal year closes, several projections are given to the Superintendent
- Annually benchmark the school system's fund balance against other school system
- Consider the external environment of county government and state government to assess changes in current and future funding
- Benchmark the school system against county government and other component units of county government.

Board of Education Fund Balance Comparison

	General Fund Balance at 06/30/10	General Fund Balance at 06/30/11	FY11/FY10 Change	%Change		General Fund Balance at 06/30/10	General Fund Balance at 06/30/11	Change	%Change
1 Allegany	\$ 10,820,376	\$ 12,517,669	\$ 1,697,293	15.69%	1 Montgomery	\$ 13,531,499	\$ 29,938,655	\$ 16,407,156	121.25%
2 Anne Arundel	\$ 32,278,374	\$ 52,620,393	\$ 20,342,019	63.02%	2 Anne Arundel	\$ 32,278,374	\$ 52,620,393	\$ 20,342,019	63.02%
3 Baltimore City	\$ 62,024,000	\$ 73,078,000	\$ 11,054,000	17.82%	3 Frederick	\$ 9,586,328	\$ 14,642,056	\$ 5,055,728	52.74%
4 Baltimore County	\$ 34,047,000	\$ 34,704,000	\$ 657,000	1.93%	4 Dorchester	\$ 2,225,609	\$ 2,953,021	\$ 727,412	32.68%
5 Calvert	\$ 16,568,319	\$ 16,271,400	\$ (296,919)	-1.79%	5 Howard	\$ 12,783,061	\$ 16,709,390	\$ 3,926,329	30.72%
6 Caroline	\$ 6,956,350	\$ 6,478,029	\$ (478,321)	-6.88%	6 Prince George's	\$ 18,357,692	\$ 22,671,444	\$ 4,313,752	23.50%
7 Carroll	\$ 13,888,217	\$ 11,905,255	\$ (1,982,962)	-14.28%	7 Baltimore City	\$ 62,024,000	\$ 73,078,000	\$ 11,054,000	17.82%
8 Cecil	\$ 11,312,893	\$ 12,854,383	\$ 1,541,490	13.63%	8 Allegany	\$ 10,820,376	\$ 12,517,669	\$ 1,697,293	15.69%
9 Charles	\$ 12,473,321	\$ 10,234,198	\$ (2,239,123)	-17.95%	9 Cecil	\$ 11,312,893	\$ 12,854,383	\$ 1,541,490	13.63%
10 Dorchester	\$ 2,225,609	\$ 2,953,021	\$ 727,412	32.68%	10 Harford	\$ 25,030,698	\$ 26,118,820	\$ 1,088,122	4.35%
11 Frederick	\$ 9,586,328	\$ 14,642,056	\$ 5,055,728	52.74%	11 Baltimore County	\$ 34,047,000	\$ 34,704,000	\$ 657,000	1.93%
12 Garrett	\$ 1,545,303	\$ 1,310,754	\$ (234,549)	-15.18%	12 Kent	\$ 1,320,678	\$ 1,304,924	\$ (15,754)	-1.19%
13 Harford	\$ 25,030,698	\$ 26,118,820	\$ 1,088,122	4.35%	13 Talbot	\$ 1,281,417	\$ 1,262,428	\$ (18,989)	-1.48%
14 Howard	\$ 12,783,061	\$ 16,709,390	\$ 3,926,329	30.72%	14 Calvert	\$ 16,568,319	\$ 16,271,400	\$ (296,919)	-1.79%
15 Kent	\$ 1,320,678	\$ 1,304,924	\$ (15,754)	-1.19%	15 Washington	\$ 18,803,391	\$ 17,646,348	\$ (1,157,043)	-6.15%
16 Montgomery	\$ 13,531,499	\$ 29,938,655	\$ 16,407,156	121.25%	16 Caroline	\$ 6,956,350	\$ 6,478,029	\$ (478,321)	-6.88%
17 Prince George's	\$ 18,357,692	\$ 22,671,444	\$ 4,313,752	23.50%	17 Wicomico	\$ 16,889,234	\$ 15,175,245	\$ (1,713,989)	-10.15%
18 Queen Anne's	\$ 3,747,626	\$ 2,812,017	\$ (935,609)	-24.97%	18 Somerset	\$ 811,528	\$ 699,946	\$ (111,582)	-13.75%
19 St. Mary's	\$ 15,779,817	\$ 11,064,382	\$ (4,715,435)	-29.88%	19 Carroll	\$ 13,888,217	\$ 11,905,255	\$ (1,982,962)	-14.28%
20 Somerset	\$ 811,528	\$ 699,946	\$ (111,582)	-13.75%	20 Garrett	\$ 1,545,303	\$ 1,310,754	\$ (234,549)	-15.18%
21 Talbot	\$ 1,281,417	\$ 1,262,428	\$ (18,989)	-1.48%	21 Worcester	\$ 2,400,636	\$ 1,977,821	\$ (422,815)	-17.61%
22 Washington	\$ 18,803,391	\$ 17,646,348	\$ (1,157,043)	-6.15%	22 Charles	\$ 12,473,321	\$ 10,234,198	\$ (2,239,123)	-17.95%
23 Wicomico	\$ 16,889,234	\$ 15,175,245	\$ (1,713,989)	-10.15%	23 Queen Anne's	\$ 3,747,626	\$ 2,812,017	\$ (935,609)	-24.97%
24 Worcester	\$ 2,400,636	\$ 1,977,821	\$ (422,815)	-17.61%	24 St. Mary's	\$ 15,779,817	\$ 11,064,382	\$ (4,715,435)	-29.88%
Total	\$ 344,463,367	\$ 396,950,578	\$ 52,487,211		Total	\$344,463,367	\$396,950,578	\$ 52,487,211	
Average	\$ 14,352,640	\$ 16,539,607	\$ 2,186,967		Average	\$ 14,352,640	\$ 16,539,607	\$ 2,186,967	

Note: Fund Balance is from Current Expense fund and includes designations and unreserved fund balance

Board of Education Fund Balance Comparison

	General Fund Balance at 06/30/06	General Fund Balance at 06/30/07	General Fund Balance at 06/30/08	General Fund Balance at 06/30/09	General Fund Balance at 06/30/10	General Fund Balance at 06/30/11	Change	% Change		Change	% Change
1 Allegany	\$ 3,739,521	\$ 5,111,487	\$ 7,318,993	\$ 8,467,468	\$ 10,820,376	\$ 12,517,669	\$ 8,778,148	234.74%	1 Caroline	\$ 5,680,004	711.76%
2 Anne Arundel	\$ 13,266,644	\$ 16,694,399	\$ 17,645,421	\$ 23,866,291	\$ 32,278,374	\$ 52,620,393	\$ 39,353,749	296.64%	2 Frederick	\$ 11,079,379	310.98%
3 Baltimore City	\$ 75,605,000	\$ 86,245,000	\$ 100,166,000	\$ 82,970,000	\$ 62,024,000	\$ 73,078,000	\$ (2,527,000)	-3.34%	3 Anne Arundel	\$ 39,353,749	296.64%
4 Baltimore County	\$ 22,621,090	\$ 25,343,000	\$ 32,201,000	\$ 39,909,000	\$ 34,047,000	\$ 34,704,000	\$ 12,082,910	53.41%	4 Cecil	\$ 9,585,034	293.18%
5 Calvert	\$ 4,537,499	\$ 8,143,542	\$ 9,241,438	\$ 14,778,183	\$ 16,568,319	\$ 16,271,400	\$ 11,733,901	258.60%	5 Calvert	\$ 11,733,901	258.60%
6 Caroline	\$ 798,025	\$ 1,867,838	\$ 4,040,476	\$ 5,304,622	\$ 6,956,350	\$ 6,478,029	\$ 5,680,004	711.76%	6 Allegany	\$ 8,778,148	234.74%
7 Carroll	\$ 6,698,308	\$ 7,873,367	\$ 4,709,738	\$ 11,228,888	\$ 13,888,217	\$ 11,905,255	\$ 5,206,947	77.74%	7 Washington	\$ 11,511,763	187.65%
8 Cecil	\$ 3,269,349	\$ 7,278,498	\$ 9,131,194	\$ 12,415,612	\$ 11,312,893	\$ 12,854,383	\$ 9,585,034	293.18%	8 Howard	\$ 9,724,850	139.23%
9 Charles	\$ 9,219,043	\$ 11,240,307	\$ 12,331,042	\$ 14,407,117	\$ 12,473,321	\$ 10,234,198	\$ 1,015,155	11.01%	9 Talbot	\$ 724,344	134.62%
10 Dorchester	\$ 2,332,257	\$ 2,247,136	\$ 1,457,505	\$ 2,060,470	\$ 2,225,609	\$ 2,953,021	\$ 620,764	26.62%	10 Worcester	\$ 1,131,225	133.62%
11 Frederick	\$ 3,562,677	\$ 4,204,383	\$ 2,624,394	\$ 8,315,810	\$ 9,586,328	\$ 14,642,056	\$ 11,079,379	310.98%	11 St. Mary's	\$ 5,733,843	107.57%
12 Garrett	\$ 1,872,320	\$ 800,000	\$ 800,000	\$ 1,806,879	\$ 1,545,303	\$ 1,310,754	\$ (561,566)	-29.99%	12 Kent	\$ 660,586	102.52%
13 Harford	\$ 20,417,645	\$ 27,466,428	\$ 19,088,983	\$ 20,374,216	\$ 25,030,698	\$ 26,118,820	\$ 5,701,175	27.92%	13 Wicomico	\$ 7,576,425	99.71%
14 Howard	\$ 6,984,540	\$ 11,535,748	\$ 11,221,332	\$ 10,141,095	\$ 12,783,061	\$ 16,709,390	\$ 9,724,850	139.23%	14 Queen Anne's	\$ 1,381,794	96.61%
15 Kent	\$ 644,338	\$ 674,643	\$ 487,332	\$ 808,634	\$ 1,320,678	\$ 1,304,924	\$ 660,586	102.52%	15 Carroll	\$ 5,206,947	77.74%
16 Montgomery	\$ 18,942,502	\$ 22,120,205	\$ 28,961,344	\$ 56,820,206	\$ 13,531,499	\$ 29,938,655	\$ 10,996,153	58.05%	16 Montgomery	\$ 10,996,153	58.05%
17 Prince George's	\$ 125,027,434	\$ 152,672,930	\$ 82,527,957	\$ 36,230,176	\$ 18,357,692	\$ 22,671,444	\$ (102,355,990)	-81.87%	17 Baltimore County	\$ 12,082,910	53.41%
18 Queen Anne's	\$ 1,430,223	\$ 1,691,505	\$ 2,427,975	\$ 3,409,382	\$ 3,747,626	\$ 2,812,017	\$ 1,381,794	96.61%	18 Harford	\$ 5,701,175	27.92%
19 St. Mary's	\$ 5,330,539	\$ 9,471,108	\$ 18,218,087	\$ 24,008,687	\$ 15,779,817	\$ 11,064,382	\$ 5,733,843	107.57%	19 Dorchester	\$ 620,764	26.62%
20 Somerset	\$ 1,695,216	\$ 2,834,077	\$ 1,572,512	\$ 874,822	\$ 811,528	\$ 699,946	\$ (995,270)	-58.71%	20 Charles	\$ 1,015,155	11.01%
21 Talbot	\$ 538,084	\$ 822,030	\$ 1,129,225	\$ 853,246	\$ 1,281,417	\$ 1,262,428	\$ 724,344	134.62%	21 Baltimore City	\$ (2,527,000)	-3.34%
22 Washington	\$ 6,134,585	\$ 12,614,246	\$ 17,666,906	\$ 19,207,104	\$ 18,803,391	\$ 17,646,348	\$ 11,511,763	187.65%	22 Garrett	\$ (561,566)	-29.99%
23 Wicomico	\$ 7,598,820	\$ 11,518,370	\$ 9,902,589	\$ 11,968,591	\$ 16,889,234	\$ 15,175,245	\$ 7,576,425	99.71%	23 Somerset	\$ (995,270)	-58.71%
24 Worcester	\$ 846,596	\$ 407,765	\$ 451,715	\$ 1,281,420	\$ 2,400,636	\$ 1,977,821	\$ 1,131,225	133.62%	24 Prince George's	\$ (102,355,990)	-81.87%
Total	\$ 343,112,255	\$ 430,878,012	\$ 395,323,158	\$ 411,507,919	\$ 344,463,367	\$ 396,950,578	\$ 53,838,323		Total	\$ 53,838,323	
Average	\$ 14,296,344	\$ 17,953,251	\$ 16,471,798	\$ 17,146,163	\$ 14,352,640	\$ 16,539,607	\$ 2,243,263		Average	\$ 2,243,263	

Note: Fund Balance is from Current Expense fund and includes designations and unreserved fund balance