

Dollars and \$ense

March 2014

Fund Balance

What is Fund Balance?

Fund balance is the amount by which the assets of a fund exceed the liabilities of a fund. (What a fund owns minus what it owes)

What Fund Balance is NOT?

Fund Balance is not a rainy day fund

Fund Balance is not a cash account

Example

Assume your household income is \$50,000 per year and your take home pay is \$40,000. According to your personal budget, you determine you will pay \$34,000 in expenses over the course of the year. At the end of the year, after paying your bills, you have \$6,000 that you put into a savings account for retirement.

You decide to take out a second mortgage to do some home repairs and your banker asks you what your net worth is. Your net worth is not the amount of cash you have on hand (\$6,000) but rather the difference between your assets and liabilities.

Assets		Liabilities	
House	\$150,000	Mortgage	\$125,000
Car	18,000	Car Loan	6,000
Furniture	20,000	Student Loan	15,000
Cash	6,000		
Total Assets	\$194,000	Total Liabilities	\$146,000

Your net worth (Fund Balance) is \$48,000 even though you only have \$6,000 in cash. Not everything in your finances has an immediate direct effect on your cash balance. When purchasing a home, you acquired an asset and an offsetting liability (unless you pay in cash).

School District of Weyauwega-Fremont Policy

The School Board strives to maintain a General Fund at a level that supports attaining the District's long-range goals. The District intends to maintain a general fund balance of at least 20% of the general and special education expenditures. As of June 30, 2013, the District's Fund Balance was 59%.

A district with an appropriate fund balance can:

- Avoid excessive short term borrowing thereby avoiding associated interest cost.
- Accumulate sufficient assets to make designated purchases or cover unforeseen expenditure needs.
- Demonstrate financial stability and therefore preserve or enhance its bond rating, thereby lowering debt issuance costs.