



2025-26 Fund Balance Concepts

**Kenosha Unified School District
Audit/Budget/Finance Committee**



June 10, 2025



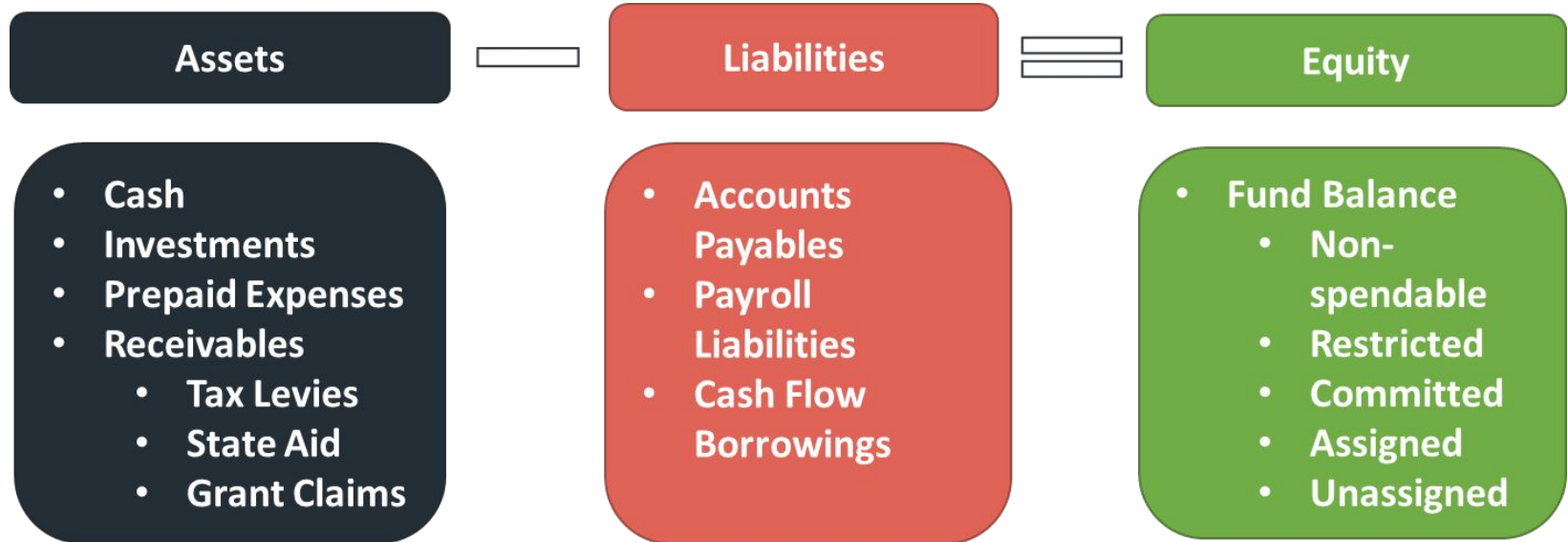
Agenda

- Fund Balance Presentation
 - Basic Concepts
 - Accounting Equation
 - Cash Flow Borrowing History
 - Investment Earnings
 - Balances
 - KUSD and Other District Comparables
 - Policy
 - KUSD and Other District Comparables
- Best Practices

Fund Balance Basics

- Fund balance **does not** equal cash, it is the result of an accounting equation
- Balances change daily but are only measured as of June 30 (end of each FY)
- Cash reserve components are **not a rainy day fund**, they are operating capital used to pay our bills during periods of low revenue (income)
 - Without adequate reserves, the district is forced to short-term borrow
 - Short-term borrowing is done under the revenue limit and high-interest costs reduce resources available for other instructional purposes
 - Adequate reserves also allow us to generate revenue in high-interest periods
 - All interest earned is put back into play in the budget as revenue (this would be an additional hit to the budget if lost)
 - Reserves protect us from unplanned expenditures, fluctuations in revenues, and can also support sporadic (non-annual) program costs

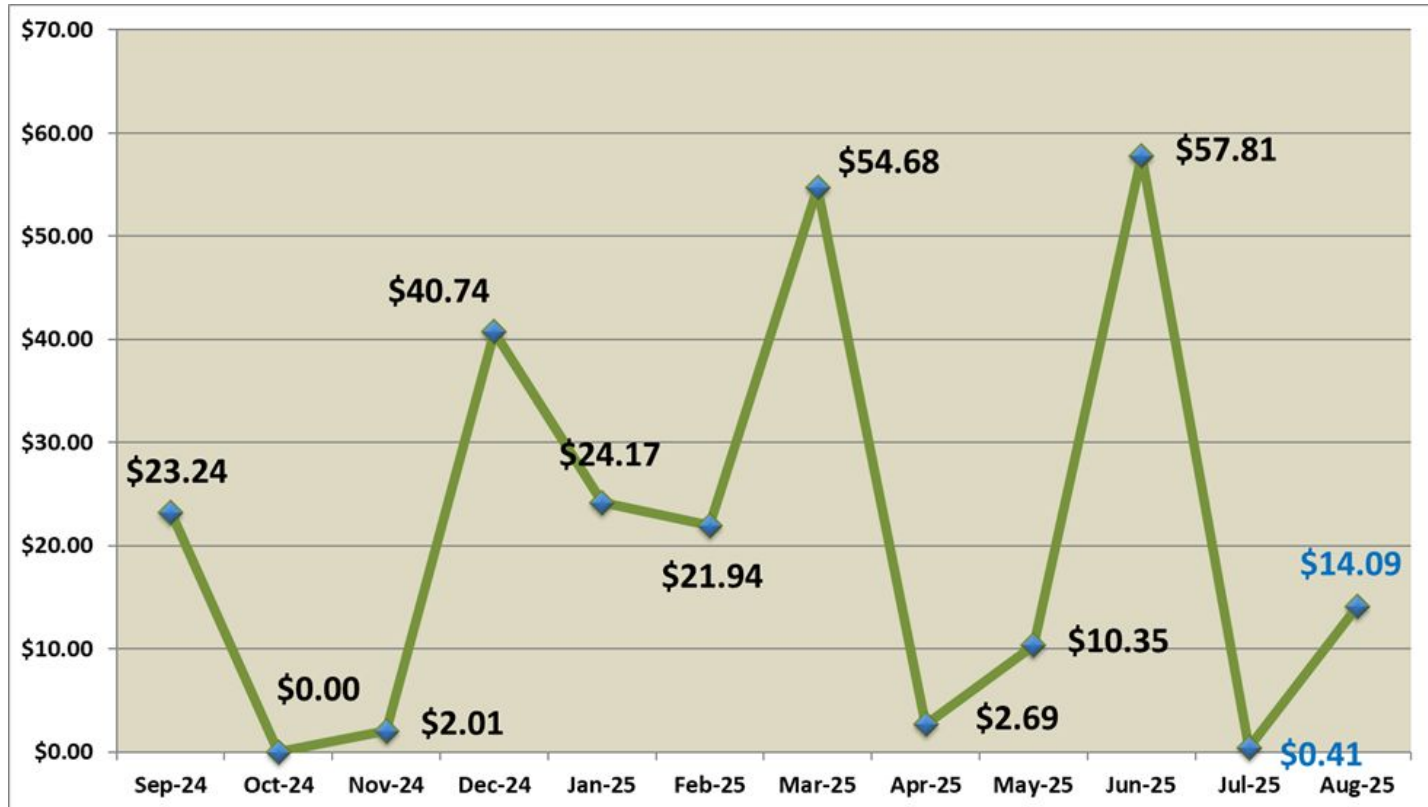
Fund Balance Accounting Equation



Cash Flow Borrowing History

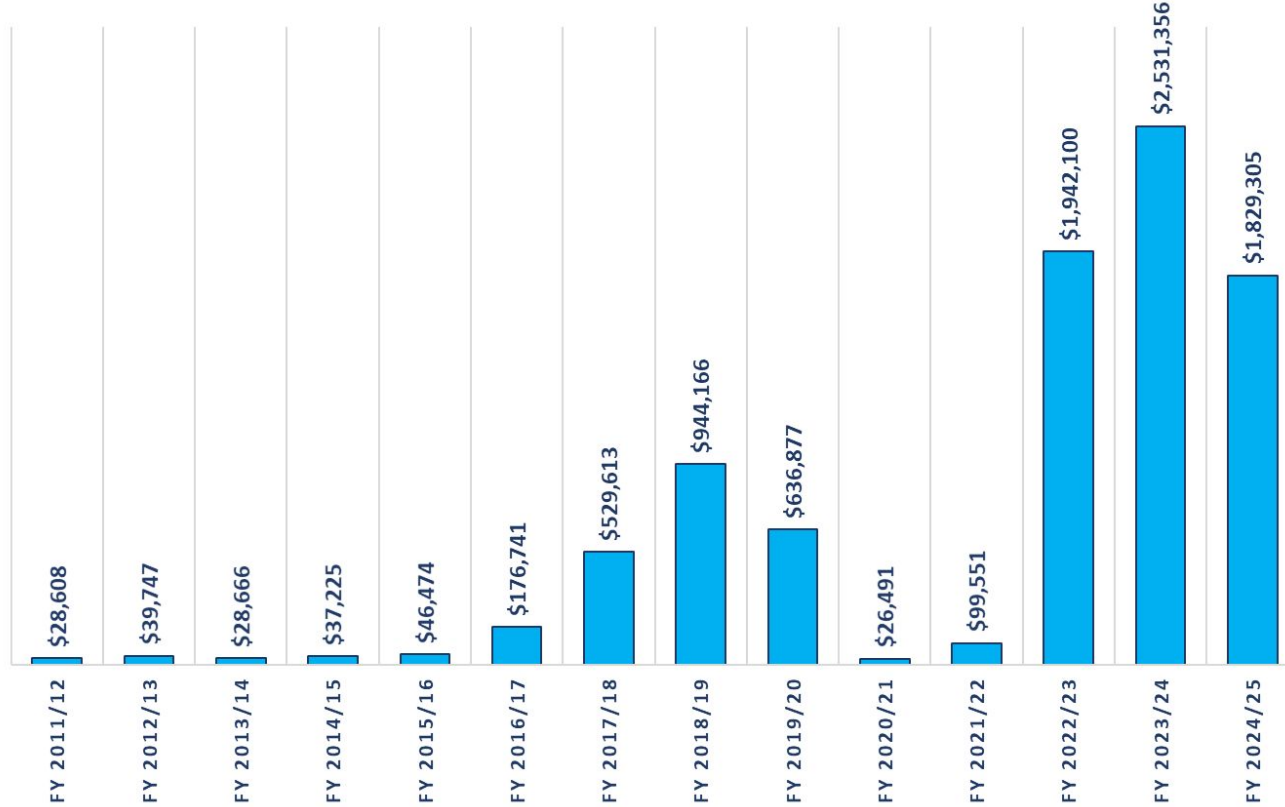
FY	ST Borrowing Amount
2011-12	\$49,000,000
2012-13	\$46,000,000
2013-14	\$39,300,000
2014-15	\$24,500,000
2015-16	\$25,000,000
2016-17	\$25,000,000
2017-18	\$25,000,000
2018-19	\$19,850,000
2019-20	\$13,500,000
2020-21	\$9,075,000
2021-22	\$10,000,000
2022-23	\$5,590,000
2023-24	\$0
2024-25	\$0

KUSD Projected Revenue (AM FY25 - Millions)

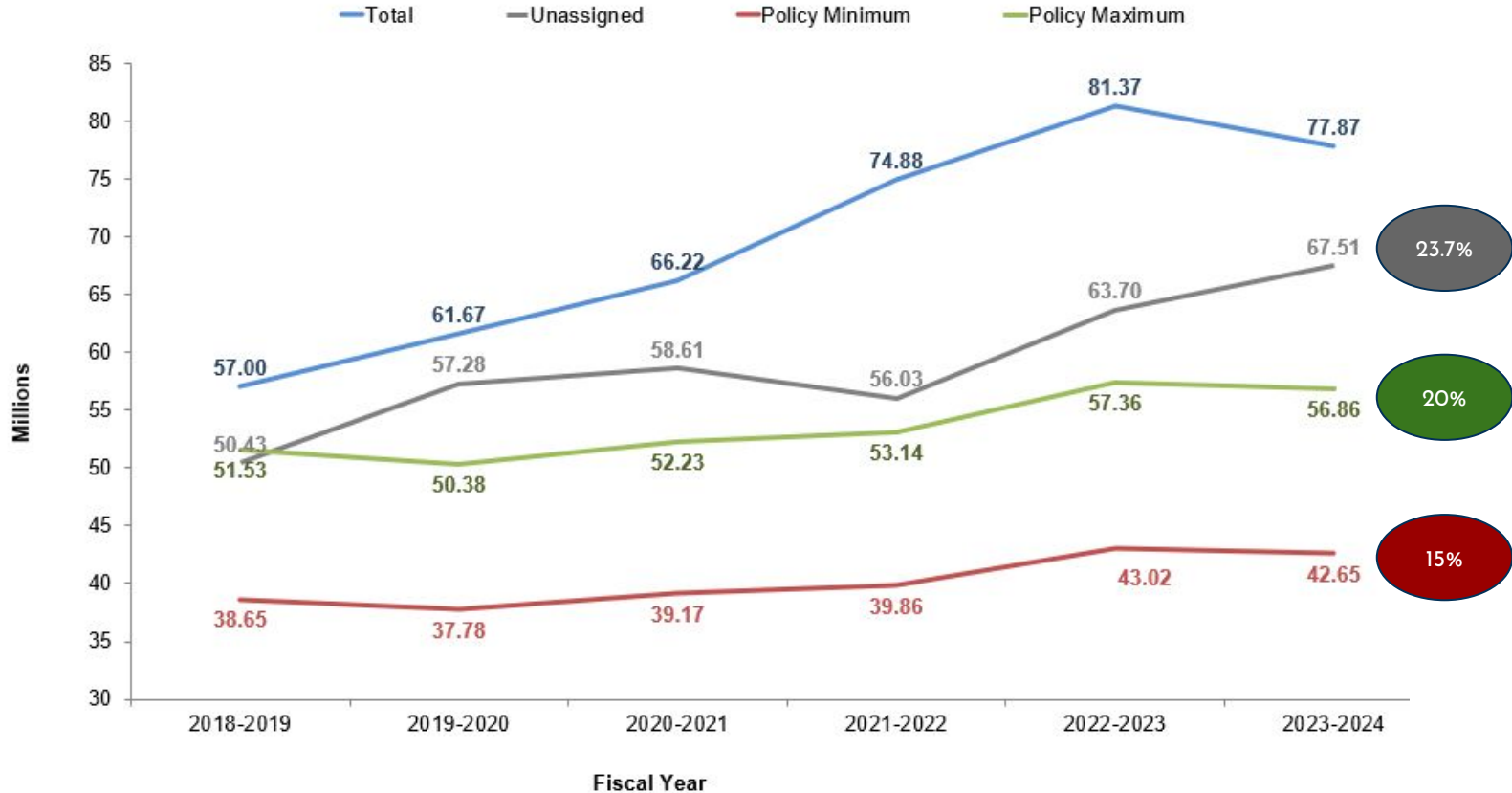


Investment Earnings

GENERAL FUND REVENUES - INTEREST



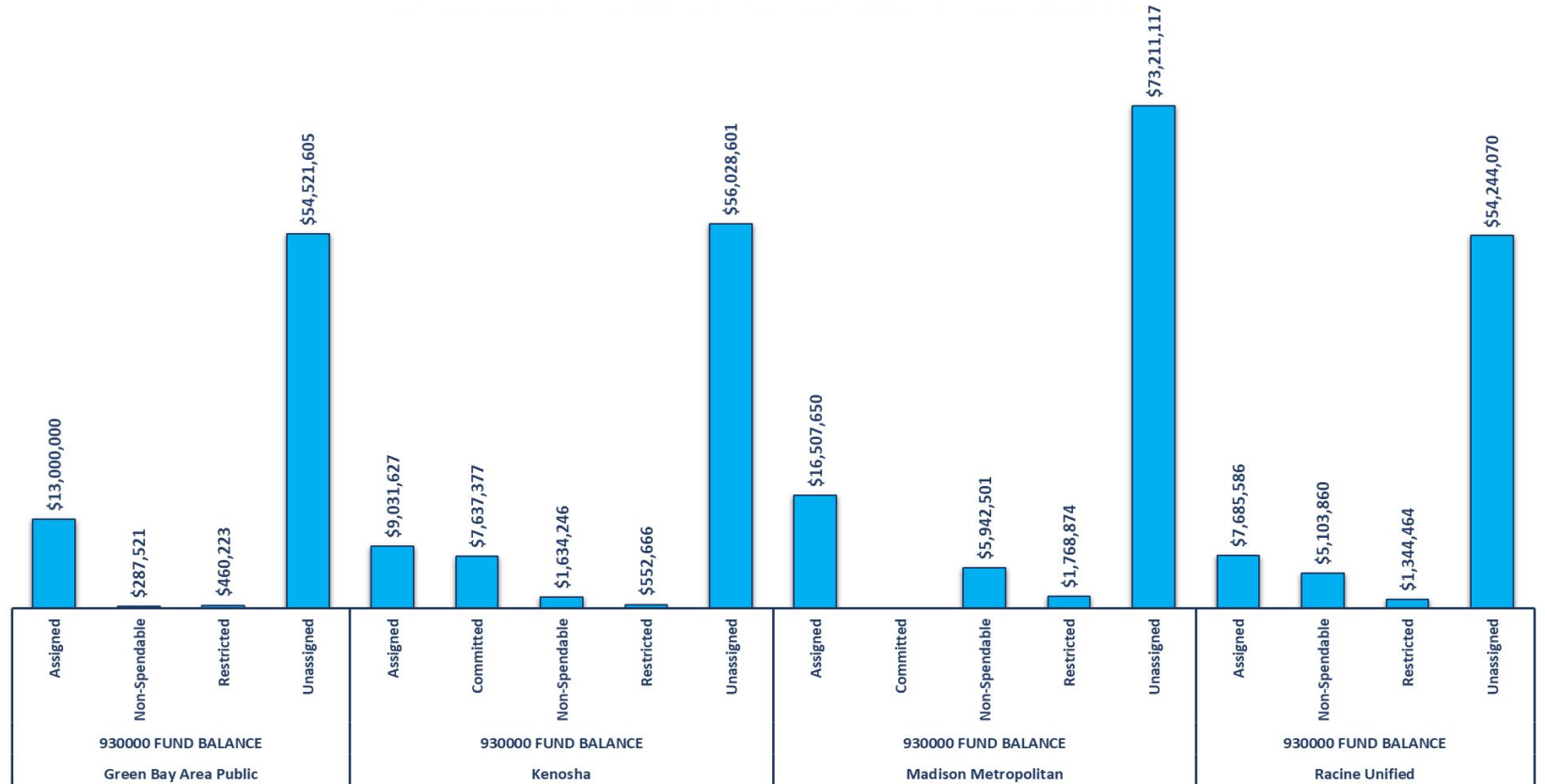
Balances - KUSD as of 6/30/2024



Balances - KUSD as of 6/30/2024 continued

- FY 2024-25 budgeted items that will impact the ending fund balance
 - Adopted a budget with a **deficit** of **\$789,077**
 - Approved **Carry Over** items costing **\$2,942,028**
- Pending 2024-25 items that will impact the ending fund balance
 - Budget to actual variances (can be **+** or **-**)
 - Can be expenses or revenues
 - Carry Over recommendations for 2025-26

Balances - Comparables (DPI Data as of 6/30/2022)



Policy - KUSD 3323 - Fund Balance

- Defines classifications as established by Governmental Accounting Standards Board Statement 54 (GASB 54)
 - **Non-spendable** Fund Balance includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or for a contractually imposed purpose by external parties.
 - **Restricted** Fund Balance includes amounts constrained for a specific purpose by external parties.
 - **Committed** Fund Balance includes amounts constrained for a specific purpose by a government using its highest level of decision making authority.
 - **Assigned** Fund Balance includes general fund amounts constrained for a specific purpose by a governing board or by an official that has been delegated authority to assign amounts.
 - **Unassigned** Fund Balance is the residual classification for the general fund.

Policy - KUSD 3323 - Fund Balance

- **Establishes target thresholds for the Unassigned portion**
 - 15% Minimum
 - 20% Maximum
- **Establishes the goals and purposes of the Unassigned portion**
 - Adequate working cash for budgeted operating activities with limited or no cash flow borrowing
 - Unanticipated expenditures
 - Orderly adjustment resulting from termination or reduction of revenue sources
 - Unanticipated fluctuations in revenues
- **Establishes guidelines for achieving goals**
 - Eliminate the budgeted use of fund balance (deficit spending) if said use would reduce fund balance below established minimums
 - Require a one million dollar budget surplus in the annual operating budget if the fund balance is below ten percent
 - Require majority Board Approval of appropriation of expenditures

Policy - Other District Comparables (Fort Atkinson - WASBO/WASB Exemplar)

The **minimum goal** of the Board of Education is to have an end of year general fund balance **amount sufficient that short-term borrowing for cash flow needs in the ensuing fiscal year could be avoided.**

Beyond the short-term cash flow needs, the Board of Education will also utilize the end of year fund balance to **set aside sufficient assets to realize its longer-range goals** and meet its **unfunded financial obligations.**

Use of the Fund Balance is limited to the following:

1. One-time start-up expenses of new academic programs.
2. The one-time cost of a capital expenditure.
3. To meet the short-term obligations in a financial emergency
4. Other one-time expenditures advantageous to the long-range goals of the District.
5. Previously planned strategic uses.

When used in instances one through four above, the use of the monies will be **considered a loan**, and the Board of Education must include a **plan for repaying the loan in a motion separate from** the motion approving the new program or one-time expense.

Best Practices - Resources

- **Government Finance Officers Association (GFOA) ([Click Here](#))**
 - No less than two months of regular fund operating expenditures
 - 2 of 12 months is the equivalent of 17% **minimum**
 - Recommends significantly more if there are volatile conditions
 - No maximum limitations
 - Replenish within one to three years of use
 - Most importantly, **prohibit** use for ongoing recurring expenditures
- **Wisconsin Department of Instruction (DPI) ([Click Here](#))**
 - DPI makes no recommendation, considered a local matter
 - Only offers the following advice:
 - 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.



Questions?