



BOARD OF EDUCATION  
**POLICY 4070**  
**UNDESIGNATED FUND BALANCE**  
**RESERVE**

Effective: March 9, 2006

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**I. Policy Statement**

The Board of Education recognizes that maintaining an adequate Board established undesignated fund balance reserve is sound fiscal practice and responsible financial management.

**II. Purpose**

The purpose of this policy is to establish a target range for the General Fund undesignated fund balance reserve.

**III. Definitions**

- A. General Fund – The grouping of all financial resources related to the school system’s operating accounts, except for those designated as restricted funds.
- B. Fund Balance – The excess of assets over liabilities. For funds subject to budgetary encumbrance accounting, commitments such as purchase orders and contracts are also recorded as expenditures, and adjusted as necessary to reflect the actual expenditure.
- C. Undesignated Fund Balance – The unexpended amount remaining in the fund at the end of the fiscal year that is not designated for a specific purpose or identified as an open encumbrance.

**IV. Standards**

- A. The provisions of this policy apply to the General Fund undesignated fund balance.
- B. The target range established for the General Fund undesignated fund balance is between one-tenth percent (0.1%) and one-quarter percent (0.25%) of the last completed fiscal year expenditures, and not less than \$500,000.
- C. Amounts in excess of the target are to be designated in fund balance for one-time expenditures in subsequent years (e.g., transfer to capital projects accounts, equipment purchases, and new program start-up costs).

**V. Compliance**

The Superintendent/designee is responsible for ensuring compliance with the standards of this policy.

**VI. Delegation of Authority**

The Superintendent is authorized to develop all necessary and appropriate procedures to implement and monitor compliance with this policy.

**VII. References**

- A. Legal  
Annotated Code of Maryland, Education Article 5-114
- B. Other Board Policies  
None

ADOPTED: March 9, 2006

AMENDED:

EFFECTIVE: March 9, 2006