

Business and Non-instructional Operations

Fund Balance Policy

Effective: Fiscal Year 2010/11

The Board of Trustees hereby establishes and will maintain reserves of Fund Balance, as defined herein, in accordance with Governmental Accounting and Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Policy shall apply only to the District's governmental funds. The Policy is intended to provide guidelines for the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfall. It is also intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget.

The Fund Balance refers to the difference between assets and fund liabilities in the governmental funds balance sheet and is referred to as fund equity.

It consists of five categories: Non-spendable, Restricted, Committed, Assigned, and Unassigned.

- Non-spendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaid purchases) or funds that are legally or contractually required to be maintained intact.
- Restricted Fund Balance consists of funds that are mandated for a specific purpose by external resource providers (such as grantors), or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority (Board of Trustees). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision-making authority or a designee that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.
- Unassigned Fund Balance consists of excess funds that have not been classified in the four categories above. All funds in this category which is not obligated or specifically designated are considered available for any purpose. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfall.

Business and Non-instructional Operations

Fund Balance Policy (continued)

Non-spendable and Restricted Funds

Non-spendable funds are those funds that cannot be spent because they are either: (1) Not in spendable form (e.g. inventories and prepaid purchases) or (2) legally or contractually required to be maintained intact. It is the responsibility of the Assistant Superintendent of Administrative Services to report all Non-spendable Funds appropriately in the District's Financial Statements.

Restricted funds are those that have constraints placed on their use either: (1) Externally by creditors, grantors, contributors, or laws or regulations or other government agencies or (2) By law through constitutional provisions or enabling legislation. It is the responsibility of the Assistant Superintendent of Administrative Services to report all Restricted Funds appropriately in the District's Financial Statements.

Authority to Commit Funds

The District's Board of Trustees having the highest level of decision-making authority has the authority to establish funds for a specific purpose through the passage of budget adoption or a resolution by a simple majority vote. Committed Funds may also be modified, or rescinded by the same method. The passage of a resolution must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

Authority to Assign Funds

Upon passage of the Fund Balance Policy, authority is given to the District's Assistant Superintendent of Administrative Services to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the District's Board of Trustees at their next regular meeting. The Board of Trustees has the authority to remove or change the assignment of the funds with a simple majority vote.

The District's Board of Trustees also has the authority to set aside for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote. The same action is required to change or remove the assignment.

Business and Non-instructional Operations

Fund Balance Policy (continued)

Unassigned Fund Balance

Unassigned Fund Balance is the residual net amount in excess of what can properly be classified in one of the other four fund balance categories. It represents the resources available for future spending.

For financial statement reporting purposes Unassigned Fund Balance reserves include the Reserve for Economic Uncertainty. The District will maintain an Economic Uncertainty Reserve pursuant to the Criteria and Standards for fiscal solvency adopted by the State Board of Education (SBE).

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of revenue shortfalls, unpredicted expenditures, or planned deficit spending. Due to the District's small size, it is prudent to maintain an additional two (2) percent above the SBE level to provide a buffer for cash-flow needs and if financial difficulties arise and commitments cannot be reduced within the reporting period. When stable funding from the state exists, for two consecutive years, excluding deficit reduction funding, the Economic Uncertainty Reserve will be increased by two percent above SBE level. Stable funding is defined as receipt of fully funded revenue limit Cost of Living Adjustment (COLA). When state COLA is not fully funded for two consecutive years, the SBE minimum will apply.

Classifying Fund Balance Amounts

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned, and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds should be spent second, and unassigned funds should be spent last; unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Reference:

Governmental Accounting Standards Board (GASB) Statement No. 54

Policy Approved: June 20, 2011