

FUND BALANCE POLICY IN ACCORDANCE WITH GASB STATEMENT NO. 54

A. Purpose

The following policy has been adopted by the Board of Education in order to comply with the requirements of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions (GASB 54). Fund balance is the difference between the total assets and total liabilities in each fund and measures the net financial resources available to finance expenditures of future periods.

The policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure sufficient reserves are maintained in consideration of unanticipated events that could adversely affect the financial condition of the District and jeopardize the continuation of necessary education services.

This policy supersedes all previous regulations regarding the District's fund balance and reserve policies.

B. Fund type definitions

The following definitions will be used in reporting activity in governmental funds across the District. The District may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

The general fund is used to account for all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The school lunch and federal funds are considered to be special revenue funds.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

C. Fund balance reporting in governmental funds

Fund balance should be classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. It is the responsibility of the School Business Official to appropriately categorize fund balance in the District's financial statements. Beginning with the most binding constraints, fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB 54:

1) Nonspendable fund balance

Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- A fund balance equal to the balance of any long--term outstanding balances due from others (including other funds of the District)
- A fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance)
- A fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact
- A fund balance equal to the balance of any land or other nonfinancial assets held for sale

2) Restricted Fund Balance

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

3) Committed Fund Balance

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision--making authority (i.e., the Board of Education).

Commitments will only be used for specific purposes pursuant to a formal action of the Board of Education. A majority vote is required to approve or remove a commitment. Committed fund balance does not lapse at year-end.

4) Assigned Fund Balance

Assigned fund balance includes amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

The Board of Education delegates to the School Business Official or his/her designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Any funds set aside as Assigned Fund Balance must be reported to the Board of Education at their next regular meeting. The Board of Education has the authority to remove or change the assignment of the funds with a simple majority vote.

5) Unassigned Fund Balance

Unassigned fund balance includes the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

D) Operational guidelines

The following guidelines address the classification and use of fund balance in governmental funds:

1) Classifying fund balance amounts

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

2) Encumbrance reporting

Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB 54.

3) Prioritization of fund balance use

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and finally, the unassigned fund balance.

E) Minimum Level of Unassigned Fund Balance

The District recognizes that good fiscal management comprises the foundational support of the entire District. To make that support as effective as possible, the Board of Education, being good stewards of the finances of the District, intend on maintaining a 4% unassigned fund balance based on the economic landscape. Adjustments to the unassigned fund balance will be reviewed accordingly based on the economy and related fiscal constraints. In an effort to support this fiscal goal, the District will continually pursue variations of increasing revenues along with controlling expenditures that are within its power.

F) Review

This policy should be reviewed and revised, if necessary, each year.

First Reading: August 15, 2011

Adoption Date: September 12, 2011