

## NON-INSTRUCTIONAL/BUSINESS OPERATIONS

### SUBJECT: FUND BALANCE

GASB has issued Statement No. 54, *Fund Balance reporting and Governmental Fund Type Definitions* (GASB 54). The objective of this Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied.

### Fund Balance Classifications (pursuant to GASB Statement 54)

General Provisions – The Board of Education recognizes that the maintenance of a fund balance is essential to the financial integrity of the District insofar as it helps mitigate current and future risks and assists in ensuring stable tax rates. Consistent with this understanding, the Board adopts the following standards and practices. The District will ensure that funds are classified consistent with Governmental Accounting Standards Board (GASB) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Consequently, fund balance amounts will be categorized as non-spendable, restricted, committed, assigned, or unassigned

**Nonspendable** - consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

**Restricted** - consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Because the State regulates the establishment, funding and use of school district reserves, generally, reserves will be classified as restricted fund balance.

Appropriate and Unappropriated

**Assigned** - consists of amounts that are subject to a purpose constraint that represents an intended use established by the board or by their designated official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned Fund Balance generally includes (unappropriated)encumbrances and appropriated fund balance.

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**Unassigned** - represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Maximum Unassigned Fund Balance

In order to support normal operating costs and provide fiscal stability for the District, the Board of Education will also strive to ensure that the unassigned fund balance does not exceed 4% of the current year's budgeted expenditures. If it is anticipated that such balance will exceed the 4% ceiling, the Board of Education will evaluate current commitments and assignments in order to determine the final distribution of fund balance in any fiscal year.

**General Policy**

Fund balance measures the net financial resources available to finance expenditures within current or future periods. The District's Unassigned General Fund Balance will be maintained to provide the District with financial stability and a margin of safety to fund unanticipated contingent expenditures that may occur unexpectedly during the fiscal year. The Unassigned General Fund Balance used for these purposes may only be appropriated by resolution of the Board of Education unless voter approval is required.

Any portion of Fund Balance may be applied or transferred for a specific purpose either by voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders. In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves).

The Board will assess the current financial condition of the district and then determine the order of application of expenditures to which fund balance classification will be charged.

Re-Adopted: July 11, 2012

**Revised: December 9, 2015**