

### Fund Balance Policy in Accordance with GASB Statement No. 54

The following policy is to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the District and jeopardize the continuation of necessary public services. This policy will ensure that the District maintains adequate fund balances and reserves in order to:

- a) Provide sufficient cash flow for daily financial needs,
- b) Secure and maintain investment grade bond ratings,
- c) Offset significant economic downturns or revenue shortfalls, and
- d) Provide funds for unforeseen expenditures related to emergencies.

GASB Statement 54 establishes the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

- a) ***Nonspendable***: fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).
- b) ***Restricted***: fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- c) ***Committed***: fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- d) ***Assigned***: fund balance comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- e) ***Unassigned***: fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund. And, Fund balance measures the net financial resources available to finance expenditures of future periods, the District’s Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Education.

Fund balance of the District may be committed for a specific source by formal action of the Board of Education. Amendments or modifications to the committed fund balance must also be approved by formal action of the Board of Education. Committed fund balance does not lapse at year-end. The formal action required to commit fund balance shall be by board resolution or majority vote.

The Board of Education recognizes that good fiscal management comprises the foundational support of the entire District. To make that support as effective as possible, the Board intends to maintain a minimum fund balance of 4% of the District's general fund annual operating expenditures. If a fund balance drops below 4%, the district shall make the necessary adjustments to replenish the fund balance. The Board of Education elects to use the default policy of GASB Statement 54 for the purposes of identifying which classifications of fund balance are spent first;

**First Reading: June 18, 2012**

**Second Reading & Adoption: July 9, 2012**