

Fund Balance

This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the District.

These guidelines shall apply to the “Unassigned” portion of the general fund balance.

DEFINITION

Fund balance is the difference between total assets and total liabilities in each fund. Governmental Accounting Standards Board (GASB) Statement 54 requires that fund balance amounts shall be reported in the following classifications:

- Nonspendable – amounts that are not in a spendable form (inventories and prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted – amounts limited by external parties (grantors, contributors) or legislation.
- Committed – amounts to be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees.
- Assigned – amounts constrained by organizational intent (by the Board or delegated authority) to be used for specific purposes, but not restricted or committed. Balances in special funds not reported as restricted or committed are reported as assigned.
- Unassigned – amounts available for expenditures or not restricted in any manner. Unassigned fund balance shall only be reported in the General Fund.

PURPOSE

The Board of Trustees desires to follow the Best Practice established by the Government Finance Officers Association (GFOA) as outlined below:

1. It is essential that the District maintain adequate levels of fund balance to mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates while providing sufficient cash flow for regular operations.
2. Fund balance levels are a crucial consideration, too, in long-term financial planning.
3. Credit rating agencies monitor levels of fund balance and unrestricted fund balance in the District’s general fund to evaluate continuing creditworthiness. Our goal will be to secure and maintain an investment grade bond rating.

4. To provide funds to offset significant economic downturns or revenue shortfalls, and provide funds for unforeseen expenditures related to emergencies.

GUIDELINES

Each year during the budgeting process for the next fiscal year a one year look back will be utilized to determine allowable fund balance appropriations if any. The fiscal year has not concluded at the point budgets are set and do not become final until after the financial audit is conducted after year end. Accordingly, the fund balance verified in the last completed audit will be the balance that will be available to the current budget process.

The District will strive to maintain an unassigned fund balance of not less than five percent (5%) and not more than seven and one half percent (7.5%) of the general fund expense budget for the fiscal year.

- If the unassigned fund balance (once attained) falls below the 5% threshold the Board of Trustees will pursue variations of increasing revenues and decreasing expenditures to maintain the minimum level of fund balance.
- If the unassigned fund balance exceeds the upper threshold of 7.5% the Board of Trustees may appropriate excess funds for nonrecurring expenditures.
- As a part of the policy implementation the annual budget process will include a minimum amount to increase the unassigned fund balance. If the current fund balance is 3% or less the amount should be as close as possible to \$250,000 for the year considering the financial needs approved by the Board. Once the 3% level has been reached the minimum amount can be reduced to \$100,000 annually until the minimum target is met.

Legal Reference: I.C. 33-801A

Policy History: No prior Policy

Adopted on: September 14, 2015