

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:

- 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.

- Fund balance levels are a crucial consideration, too, in long-term financial planning.
- 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.
- To provide funds to offset significant economic downturns or revenue shortfalls, and provide funds for unforeseen expenditures related to emergencies.

GUIDELINES

The District will strive to maintain an unassigned fund balance of not less than 8.3% (one month operating expenditures) and not more than 16.6% (2 month operating expenditures) of the general fund expense budget for the fiscal year.

- If the unassigned fund balance (once attained) falls below the 8.3% (one month operating expenditures) threshold, the Board shall develop a plan to replenish the fund balance to the designated minimum level.
- If the unassigned fund balance exceeds the upper threshold of 16.6% (2 month operating expenditures) the Board may appropriate excess funds for non-recurring 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 5% or less, the amount should be \$250,000 or greater for the year considering the financial needs approved by the Board. Once the 5% level has been reached, the amount can be reduced to \$100,000 annually until the minimum target is met.

Policy History:

Adopted on: September 14, 2015

Revised on: December 10, 2019

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