

Descriptor Term: FUND BALANCE

Descriptor Code: DGA

Rescinds:

Board Approved: 9/15/2014

Previously Approved: 5/16/11

## PURPOSE

The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the District and is fiscally advantageous for both the District and the taxpayer. This policy establishes goals and provides guidance concerning the desired level of fund balance maintained by the District to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances.

## DEFINITIONS

Fund Balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

Governmental Accounting Standards Board (GASB) Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

- 1) **Nonspendable fund balance** – amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
- 2) **Restricted fund balance** – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).
- 3) **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the Board of Trustees. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the board's commitment in connection with future construction projects).
- 4) **Assigned fund balance** – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the Board of Trustees or by a designee to whom 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.

- 5) **Unassigned fund balance** – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

## **Policy**

The responsibility for designating funds to specific classifications shall be as follows:

**Committed Fund Balance** – The Board of Trustees is the District’s highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

**Assigned Fund Balance** – The Board of Trustees has authorized the Superintendent and the Chief Financial Officer as officials authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

## **Minimum Unassigned Fund Balance**

It is the goal of the District to maintain an unassigned fund balance in the general fund at fiscal year end of 3% of District Maintenance expenditures while aspiring to achieve a 7% fund balance. If the unassigned fund balance at fiscal year end falls below the goal of 3%, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

## **Order of Expenditure of Funds**

When multiple categories of fund balance are available for expenditure (e.g., a project is being funded partly by a grant, funds set aside by the Board, and unassigned fund balance), the District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.