FUND BALANCE

Code **DFAC** *Revised* **11/25**

Purpose: To establish the basic structure for maintaining and classifying a fund balance for the district.

This policy will ensure that the district maintains an adequate fund balance and reserve in order to achieve the following:

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

The objective of Governmental Accounting Standards Board ("GASB") Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions, is to enhance the usefulness of fund balance information by providing clearer classifications that can be more consistently applied and by clarifying the definitions of the existing governmental fund types. The new categories for fund balance under GASB 54 are nonspendable, restricted, committed, assigned and unassigned. The categories are defined as follows.

Nonspendable Fund Balance:
Amounts that cannot be spent due to form, including inventories, prepaid amounts, long-term amounts of loans and notes receivable and property held for resale, unless proceeds are restricted, committed or assigned, as well as funds legally or contractually required to be maintained intact.

Restricted Fund Balance:
Amounts that can be spent only for specific purposes, as stipulated by external resource providers, by constitution or through enabling legislation that is legally enforceable by an external party. Enabling legislation that creates a revenue stream must also stipulate the purposes for which that revenue can be used. Restrictions may only be changed by parties external to the district.

Committed Fund Balance:
Amounts committed for specific purposes by formal action of the government's highest level of decision-making authority. These amounts are not subject to legal enforceability by external parties, as in restricted; however, those amounts cannot be used for any other purpose unless the governing body removes or changes the limitation by taking the same form of action it employed to previously impose the limitation.

Assigned Fund Balance:
Amounts that are intended by the government to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself, or (b) a subordinate high-level body or official possessing the authority to assign

amounts to be used for specific purposes. Included in this category is any fund balance carry-forward used to balance the subsequent year's budget.

Unassigned Fund Balance:
Residual classification for the general fund, which has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned residual deficits may apply to other governmental funds to the extent fund balances are insufficient to satisfy restricted and committed balances.

I. Determination of Order of Expenditure on Fund Balance:

In determining the classification of total spendable fund balance remaining at the end of the fiscal year when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, expenditures will be applied first to restricted fund balance and then to unrestricted fund balance.

Within unrestricted fund balance, the order in which the expenditures will be applied when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used is as follows: Committed, Assigned, Unassigned.

II. Process for Classification of Fund Balance:

1. Restricted Fund Balance: The highest level of decision making authority for purposes of establishing restricted fund balance will be by Ordinance, Resolution or State Statute. In order to qualify as restricted fund balance, the legislation that creates the revenue stream must also stipulate the purposes for which that revenue stream can be used. Restriction legislation must take place prior to the end of the district's fiscal year.

2. Committed Fund Balance: Fund balance can be committed pursuant to constraints imposed by either an Ordinance or Resolution, which constitute the district's highest level of decision-making authority, or there must be a valid agreement between the district and a counterparty, (for example, a contract, capital lease agreement or settlement) for which it is clearly documented that the district will use existing resources, rather than future revenues, to satisfy the contractual obligation. Amounts can be uncommitted using the same process as used to establish the commitment.

   Formal action to commit an amount to a specific purpose must be made prior to the end of the district's fiscal year. The actual amount, however, may be computed after the year end as part of the preparation of the financial statements.

3. Assigned Fund Balance: Fund balance can be assigned either by any action of the governing body, or by designees with authority to assign. Amounts can be unassigned by the same process. Assignments calculations may be made after the end of the fiscal year during the process of preparation of the financial statements.

III. Operational guidelines:

1. Minimum unassigned fund balance: The district will maintain an unassigned fund balance in its general fund ranging from 15 percent to 20 percent of the budgeted expenditures and outgoing transfers. Any excess over the minimum reserve may be transferred to the district building fund for facility needs or the debt service fund for payment of debt.

   However, when unexpected obligations such as major funding reductions, capital outlay items, natural disasters, etc. occur, the reserve may fall below the desired minimum. When the fund balance falls below the minimum, the district will implement budget strategies to replenish the deficiency through reduction of recurring expenditures or pursue increases in revenue or funding sources.

Adopted 11/7/11; Revised 12/3/12; 11/10/25