

SERIES 600 – FISCAL MANAGEMENT

Management of Funds - 660

Designated Fund Balance (662.3)

Purpose

The purpose of this policy is to establish a key element of the financial stability of the District by setting guidelines for fund balance. Unassigned fund balance is an important measure of economic stability. It is essential that the District maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The principal purpose of the fund balance is to provide cash flow liquidity for the District's general operations. The District also seeks to maintain the highest possible credit ratings which are dependent, in part, on the maintenance of a healthy fund balance. Use of the general fund balance shall be restricted to one-time expenses as a result of a District initiative or unforeseen costs (i.e. damages or repairs). The general fund balance should not be designated for any recurring costs in the operating budget.

Definitions

Fund Equity – A fund's equity is generally the difference between its assets and its liabilities.

Fund Balance – An accounting distinction is made between the portions of fund equity that are spendable and nonspendable. These are broken up into five categories:

- 1) **Nonspendable fund balance** – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- 2) **Restricted fund balance** – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or enabling legislation.
- 3) **Committed fund balance** – includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Education. Commitments may be changed or lifted only by the Board of Education.
- 4) **Assigned fund balance** – comprises amounts *intended* to be used by the District for specific purposes. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education 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** – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Policy

Committed Fund Balance

The Board of Education 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 at a Board of Education meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance

The Board of Education has authorized the District Administrator as the official 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 achieve and maintain an unassigned fund balance in the general fund equal to 10% of budgeted expenditures for the current fiscal year. If unassigned fund balance falls below 10% of budgeted expenditures or has a deficiency, the District will take proactive actions to raise the District fund balance to 10% by considering a variety of options, including, but not limited to, reducing expenditures below projected revenues in the following year, or incrementally over a period of years, in order to increase fund balance.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure, the District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

DATE ADOPTED: 5/25/11

APPROVED: OCTOBER 9, 1991

REVISED: NOVEMBER 24, 2003