

FUND BALANCE

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 fluctuation, unanticipated expenditures, and similar circumstances. The fund Balance provides 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.

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 is spendable and nonspendable. These are broken up into five (5) categories:

- A. **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).
- B. **Restricted fund balance** – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government) through constitutional provisions or enabling legislation.
- C. **Committed fund balance** – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

- D. **Assigned fund balance** – comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which 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.
- E. **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.

Committed Fund Balance

The District Board 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 District Board 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 District Board 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 Fund 10, General Fund, sufficient to meet the District's obligation for Other Post Employment Benefits (OPEB) and in order to mitigate the need for temporary borrowing to meet operational expenses in the next fiscal year.

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SECOND READING: 07/12/2016

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