

Board of Trustees Douglas County School District

FINANCES

Fund Balance Accounting and Reporting

This policy establishes the definitions for reporting Governmental Type fund balances(s) in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54). Fund balances are comprised of classifications and balances of monies set aside for specific purposes or are funds that are unrestricted and available for use as circumstances dictate. This policy is applicable, but not limited, to Governmental Type Funds (General Fund, Special Education Fund, Class Size Reduction, Federal and State Grants Fund, Food Services Fund, Building and Sites Fund, Capital Projects Fund, Bond Fund, and Debt Services Fund), as well as Proprietary (self-funded insurance activities).

The purpose of this Fund Balance Policy is three-fold: to enable realistic long-term planning, to assist with effective development of annual budgets, and to promote clear communications with the general public, staff and administration. This policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditure or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. This policy is established based upon a long-term perspective, recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a Fund Balance Policy is for the District to be in a strong fiscal position that will allow for a better position to weather negative economic trends.

The five classifications established by GASB 54 are listed below. Because circumstances differ among funds, not every fund will report all of these classifications.

1. Non-Spendable Fund Balance (NFB):
Amounts that are inherently non-spendable because of their form (an example is inventories) or that are legally or contractually required to be maintained intact (an example is the principal of an endowment).
2. Restricted Fund Balance (RFB):
Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation. These amounts are externally enforceable, and lie beyond the power of the Board of Trustees to

Board of Trustees Douglas County School District

FINANCES

change unilaterally (examples are restrictions imposed by a grant contract, bond covenant, or higher levels of government).

3. Committed Fund Balance (CFB):

Amounts constrained to specific purposes by the Board of Trustees utilizing its highest level of decision-making authority in the form of a resolution; amounts reported as "committed" require the same action to remove or change the constraints as it did to impose the constraint. The passage of a resolution must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available (an example is a fiscal stabilization fund).

4. Assigned Fund Balance (AFB):

Amounts the District intends to use for a specific purpose with the intent expressed by the Board of Trustees or its designee(s); amounts reported as "assigned" cannot result in a deficit in the "Unassigned Fund Balance" or exceed total fund balance less its non-spendable, restricted and committed classifications (examples are funds for future capital improvement or fixed asset purchases and site discretionary carry-over). Additionally, an **AFB** will be used to appropriate existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget.

5. Unassigned Fund Balance (UFB):

Amounts that are available for any purpose and are net resources in excess of what is properly categorized in one of the four classifications previously described; these amounts are reported only in the General Fund as GASB 54 prohibits reporting resources in another fund unless they are at least assigned to the purpose of that fund; this category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. The District's policy for minimum level of UFB is addressed in Administrative Regulation 603.

The following are common classifications within the various District funds. The Food Services and General Funds may have reported **NFB**. The Bond, Building and Sites Fund, Capital Projects Fund, Debt Services Fund, Class Size Reduction, State and Federal Grants, Workers' Compensation, and Self Insurance Health Funds will have reported **RFB**. The Food Services, Special Education and General

Board of Trustees Douglas County School District

FINANCES

Funds may have reported **RFB**, **CFB**, and **AFB**. Only the General Fund shall have **UFB**.

The Superintendent and Chief Financial Officer (CFO) are authorized to evaluate and classify fund balances in accordance with this policy. Additionally, the Board of Trustees retains the responsibility to determine balances according to specific factors of the District. Restricted funds shall be spent according to the purpose for which they were received. The order in which resources will be expended is as follows: (1) Restricted Fund Balance; (2) Committed Fund Balance; (3) Assigned Fund Balance"; and lastly (4) "Unassigned Fund Balance". The Board of Trustees shall adhere to its policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned as needed – unless the Board specifically designates otherwise through a formal resolution.

Reference: GASB 34, GASB 54, AR603

Date Adopted: July 10, 2012

Date Revised: