

Heber Elementary School District

Board Policy No. 3008 FUND BALANCE POLICY

1. Purpose

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the district against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Superintendent and Chief Business Official to prepare financial reports which accurately categorize fund balance as per Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

2. General Policy

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the district is bound to honor constraints on the specific purpose for which amounts can be spent.

- Non-spendable Fund Balance
- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance

The first two components listed above are not addressed in this policy due to the nature of their restrictions. An example of non-spendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or regulations. This policy is focused on the financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

3. Provisions

a. Committed Fund Balance

The Governing Board, as the district's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as adopting budget reports by a majority vote. These committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Governing Board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined subsequent to the release of the financial statements.

b. Assigned Fund Balance

Amounts that are constrained by the district's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the Superintendent and the Chief Business Official for the purpose of reporting these amounts in the annual financial statements.

c. Unassigned Fund Balance

These are residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories. There are some reserves that do not meet the requirements of the fore mentioned components of fund balance. For financial statement reporting purpose, these reserves are included in unassigned fund balance. This includes:

4. Reserve for Economic Uncertainty Reserve

The District will maintain an economic uncertainty reserve of at least 3% of total General Fund operating expenditures (including other financing). The primary purpose of this reserve is to avoid the need for services level reductions in the event of an economic downturn. This reserve may be increased from time to time in order to address specific anticipated revenue shortfalls. It is the District's intent to continuously sustain a 6% Economic Uncertainty Reserve.

5. Fund Balance Classification

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classification of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amount.

This policy is in place to provide a measure of protection for the district against unforeseen circumstances and to comply with GASB Statement NO. 54. No other policy or procedure supersedes the authority and provisions of this policy. This policy may be revisited and reviewed by the Board of Trustees each year.

Legal Reference:

Governmental Accounting Standards Board (GASB) Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions

Date Policy Adopted by the Board: May 26, 2011

