

FUND BALANCE

Purpose

The Board recognizes the need to maintain an operating reserve in the general fund for the following purposes:

- A. Hold adequate working capital to meet cash flow needs during the fiscal year;
- B. Reduce the need for short term borrowing;
- C. Serve as a safeguard for unanticipated expenses of the District; and
- D. Show fiscal responsibility to maintain a high credit rating which will help reduce future borrowing costs.

Any under-budgeted account balances in a given fiscal year will be added to the District fund balance. The District will maintain a general fund balance at a minimum of 10% of operational expenses. If the District, as of June month-end of a given fiscal year, shows an operating fund balance below 10% of the subsequent year budget, the Board will take proactive actions to raise the District fund balance to 10%.

Long-Term Goals

The District's long-term goals for fund balance is to achieve and maintain a general fund balance that would alleviate the need to short-term borrow for operational cash flow needs. Fund balance in excess of this goal may be used for expenses as defined below.

Use of District 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). The general fund balance shall not be designated for any recurring costs in the operating budget.

Financial Disclosures

Fund balance amounts will be reported in conformance with generally accepted accounting principles and shall be reclassified not less than the end of each fiscal year for general purpose financial statements. The District shall report inventories, long-term receivables and amounts legally or contractually required to be maintained intact as non-spendable. The fund balance for the spendable portion of permanent funds and balance, if any, in the special revenue trust fund, debt service funds, food service fund, community service fund and any other fund established by regulatory authority shall be classified as restricted. The Board directs a commitment of fund balance in an amount equal to the difference between expected health benefit costs and the aggregate stop-loss insurance attachment point, to the extent such commitment does not create a negative unassigned fund balance. The Board may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Board. Commitments of fund balance, once made, can be modified only by majority vote of the Board.

The Board authorizes and directs the Superintendent or designee to assign fund balance, to the extent such assignment does not create a negative unassigned fund balance, with an amount sufficient to liquidate open encumbrances that are reasonably expected to result in an expenditure in the subsequent year.

Legal Government Accounting Standards Board Statement 54

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