

## **Governmental Accounting Practices and Regulations**

### General

The board strives to maintain adequate fund balances and reserves in order to:

1. Provide sufficient cash flow for daily financial needs;
2. Secure and maintain investment-grade bond ratings;
3. Offset significant economic downturns or revenue shortfalls; and
4. Provide funds for unforeseen expenditures related to emergencies.

### Reporting Fund Balances

The board shall engage in accounting and financial reporting procedures in compliance with the Governmental Accounting Standards Board's Statement No. 54 ("GASB 54").

Pursuant to GASB 54, governmental fund balances shall be identified for purposes of reporting as one of the following types of funds:

1. "Nonspendable"- fund balances that can never be spent because the balances are either not in spendable form because they cannot currently be spent or cannot ever be spent (i.e., supply inventory funds, prepaid items, long-term loans receivables (including from loans to other funds of the district) and non-financial assets held for resale) or the district is legally or contractually required to maintain the balances in-tact (i.e., principal of an endowment fund).
2. "Restricted"- fund balances that can be used only for the specific purposes permitted in externally enforceable legal restrictions, including, but not limited to, the constitution, enabling legislation or external resource providers (i.e., PPEL funds, Debt Service funds, Capital Project funds, state grant carryover funds).
3. "Committed"- fund balances that can be used only for the specific purposes determined by a formal action of the board.
4. "Assigned"- fund balances that are constrained by the district's intent to use the funds for specific purposes determined by the board and/or superintendent, but which are neither restricted nor committed (i.e., funds for book fairs or field trips that are within the general fund).
5. "Unassigned"- fund balances that have not been restricted, committed or assigned (i.e., residual classification for the general fund or a deficit balance from overspending for specific purposes for which amounts have been restricted, committed or assigned for other funds).

Governmental fund balances shall first be distinguished based upon whether the fund balance is nonspendable, as defined above, and then shall be distinguished based upon whether the fund balance is restricted, classified, assigned or unassigned, all as defined above.

Governmental fund balances shall be identified at the highest category of identification possible,

regardless of whether the fund balance also fits into a lower category of identification (i.e., a PPEL fund balance should be reported as “restricted,” even if a separate board action “committed” a portion of the PPEL fund balance to a specific purpose).

#### Authority to Commit or Assign Fund Balances

The board shall have the authority to determine whether a governmental fund balance in the district’s general fund is committed and/or assigned, both as defined above. The board shall take formal board action prior to committing a fund balance. The board will take action to ‘commit’ a fund balance prior to year-end (June 30) of the year the original committed amount is determined. The exact amount of the committed balance may be determined after the year-end; however, in compliance with GASB 54, the intended committed purpose must be identified, prior to year-end (June 30). In the event that a committed fund balance is identified subsequent to year-end (June 30), the amount will be reflected on the balance sheet as assigned for that year.

The board shall approve by a majority vote the commitment of a fund balance, and shall approve by a two-thirds vote the removal of the commitment of a fund balance. The board delegates to the superintendent the authority to assign a fund balance in the district’s general fund to be used for a specific purpose.

#### Spending Fund Balances

Pursuant to GASB 54, the district shall spend and/or reduce governmental fund balances in the following order: restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance.

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