

Policy and Procedures

Fund Balance Classification and Spending Prioritization Policy

Purpose: Provide guidelines relative to classifying fund balance and setting spending prioritization in accordance with GASB Statement No. 54.

Policy:

- The Borough will utilize the following table to classify fund balance components based on what constraints are placed on how resources can be used and the identification of the source of those constraints. The spending prioritization will determine the order in which fund balance will be spent.

Fund Balance Classification:

Fund Balance Classification	Policy Interpretation
Nonspendable	<ul style="list-style-type: none"> • Consumable Inventories • Prepays • Property held for resale • Noncurrent loans and contracts receivable must be examined. These may be classified as nonspendable, restricted, committed or assigned based on the restrictions placed on the usage of the loan repayments.
Restricted	<ul style="list-style-type: none"> • Resources are restricted for use by the: <ul style="list-style-type: none"> ○ Alaska Constitution ○ Federal government ○ Debt covenants ○ External parties ○ Grantors • Contract commitments • A restricted fund balance can never be negative.
Committed	<ul style="list-style-type: none"> • Resources are restrained for use by: <ul style="list-style-type: none"> ○ Borough Assembly action • Commitments may <u>only</u> be changed or lifted by the assembly taking the same formal action that imposed the constraint originally. • Commitments of fund balance <u>must</u> be in place before the end of the fiscal year. A committed fund balance can never be negative.
Assigned	<ul style="list-style-type: none"> • Resources are restrained for use by: <ul style="list-style-type: none"> ○ Department or Service Area board. • Amounts that are not restricted or committed and intended to be used for the purpose of the fund. • Assignments can occur anytime before issuance of financial statements.

	<ul style="list-style-type: none"> • Assignment ability has been delegated by the Assembly to the Finance Director in Resolution 2011-__ • An assigned fund balance can never be negative. Assignments can never cause the overall fund balance to be negative.
Unassigned	<ul style="list-style-type: none"> • A positive balance is only reportable in general fund. • May be negative (deficit) fund balance for other fund types.

Spending Prioritization:

The Borough's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance.