



Fund balance reserve reporting in FY 2024 annual financial report (AFR) and FY 2025 budget forms

Accountability Services Division

March 2024

Meeting outline

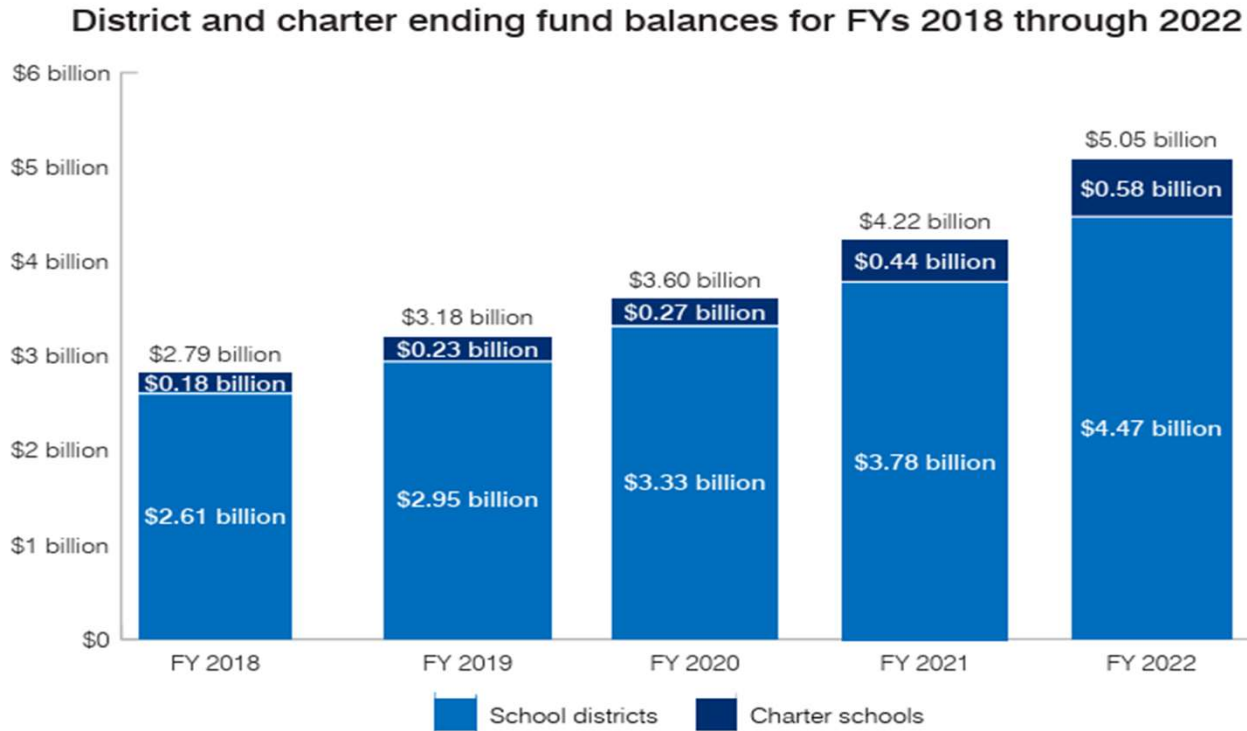


- COVID-19 special report followup
- Fund balance policy best practices
- FY 2023 AFR fund balance reserve reporting format
- FY 2025 budget forms fund balance reserve reporting format
- Participant questions and comments

COVID-19 special report followup



Since FY 2020, district fund balances increased over \$1.14 billion, or 34 percent, and charter fund balances increased approximately \$0.31 billion, or 115 percent.



Why are fund balance policies important?

Mitigates current and future financial risks

Provides structure and guidelines when establishing yearly budgets

Helps ensure public transparency and accountability

GFOA fund balance policy best practices

GFOA fund balance guidelines, published in 2015, recommends:

- All governments establish a formal policy for General Fund balances.
- The policy should be adopted by appropriate policy bodies, such as school district governing boards.
- The policy should consider and identify unique circumstances and risks impacting the balance maintained.

GFOA fund balance policy best practices

Appropriate level

- Account for each government's unique circumstances.
- At least 2 months of regular operating revenues or regular operating expenditures.

Use and replenishment

- Define conditions warranting fund balance use.
- Describe guidelines for replenishing balances.
 - Generally, 1-3 years within use.
 - Consider unique circumstances.

Balances above formal policy level

- May reflect a structural trend.
 - Consider a policy to address.
- Prohibit using funds for ongoing/recurring expenditures.

GFOA—additional resources



General Fund
reserve
calculation
worksheet

Example
financial reserve
policies

Paper—Should
we rethink
reserves?

FY 2023 AFR—fund balance reserve tab—section A



This tab presents **Section A** the amount and planned use of the District's fund balance reserves to increase transparency and provide decision-makers, other stakeholders, and the public more complete financial information. It also presents information about policies or guidelines.

Section A
SECTION A

Maintenance and Operations	General Fund*		Capital Projects Fund				Special Revenue Funds			Debt Service Funds	Permanent Fund	Enterprise funds	Internal Services Funds	Total all funds
	Unrestricted Capital Outlay Fund	Other funds reported in the General Fund	Unrestricted Capital Outlay Fund (if not Bond Building Funds)	Bond Building Funds	Adjacent Ways Fund	Other capital projects funds	Classroom Site Fund	Federal and State Grants	Other special revenue funds					
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

- Prior year ending fund balance
 - 1. Ending fund balance reported in FY 2022 AFR
- Current year ending fund balance
 - 2. Total FY 2023 ending fund balance
- FY 2023 ending fund balance details:
 - 3.a Fund deficit
 - 3.b Fund balance exceeding budget capacity in budget-controlled funds
 - 3.c Planned to be spent in FY 2024 to support budgeted spending
 - 3.d Maintained for debt retirement after FY 2024
 - 3.e Maintained for capital projects after FY 2024
 - 3.f Maintained for retirement contributions after FY2024
 - 3.g Maintained for self-insurance or OPEB after FY 2024
 - 3.h Maintained for future financial stability
 - 3.i other purposes (Specify)
 - 3.j other purposes (Specify)
 - 3.k Total FY 2023 ending fund balance

Section A

- Prior year ending fund balance
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- Current year ending fund balance
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 - 3.k Total FY 2023 ending fund balance

FY 2023 AFR—fund balance reserve tab—section B



B. Fund balance reserve process or policy (optional)

District establishes a targeted fund balance reserve level? Governing Board policy number (indicate "N/A" if no policy exists):

1. Does the District have a process or policy it follows to establish a targeted (goal) fund balance reserve level that the District is working to maintain each year? (Yes or No in cell F28)
If the District has an adopted Governing Board policy, enter the policy number in the box provided (cell G28).

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If question 1 was answered yes, answer questions 2 through 6 below. All Districts should respond to question 7.

2. Describe the guidance the District used in establishing its adopted reserve level policy and/or used in planning for its FY 2023 targeted fund balance reserve levels:

3. What funds are included in the District's targeted fund balance reserve?

4. What, if any, Section A, line 3 fund balance purposes are excluded from the District's targeted fund balance reserve?

5. If the targeted fund balance amount was determined by applying a percentage to a set factor, identify that percentage and factor:

Percentage		Factor	Additional Information
	of the Districts'		

6. Indicate the total targeted fund balance reserve and actual fund balance reserve amounts for the end of FY 2023.

Targeted fund balance reserve amount	Actual fund balance reserve amount

All Districts should respond to question 7.

7. The District plans to take the following actions related to its ending fund balance in FY 2024 and thereafter:

FY 2023 AFR—fund balance reserve tab—section B



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FY 2023 AFR—fund balance reserve tab—section B



3. What funds are included in the District's targeted fund balance reserve?

4. What, if any, Section A, line 3 fund balance purposes are excluded from the District's targeted fund balance reserve?

FY 2023 AFR—fund balance reserve tab—section B



	Percentage		Factor	Additional Information
5. If the targeted fund balance amount was determined by applying a percentage to a set factor, identify that percentage and factor:	<input type="text"/>	of the Districts'	<input type="text"/>	<input type="text"/>

	Targeted fund balance reserve amount	Actual fund balance reserve amount
6. Indicate the total targeted fund balance reserve and actual fund balance reserve amounts for the end of FY 2023.	<input type="text"/>	<input type="text"/>

All Districts should respond to question 7.

7. The District plans to take the following actions related to its ending fund balance in FY 2024 and thereafter:

FY 2025 budget—fund balance reserve draft



B. Budgeted expenditures compared to planned spending and amounts planned to be spent after FY 2025 in budget-controlled funds

Districts are required to budget to their calculated budget limits in budget controlled funds to avoid losing unspent budget capacity, but they often do not plan to spend up to their budget limit each year.

1. FY 2025 budgeted expenditures
2. FY 2025 planned spending
3. Budgeted expenditures planned to be spent after FY 2025
4. Fund balance planned to be spent after FY 2025 (from line A.4.(d) above)
5. Line 3 minus line 4*

Maintenance and Operation Fund	Unrestricted Capital Outlay Fund	Classroom Site Fund
0	0	0
0	0	0

*A positive difference indicates the district plans to add to its fund balance in FY 2025, carrying forward at least some FY 2025 revenues.

C. Comments on fund balance reserves and planned spending (optional)

Questions



Please send additional questions or feedback by April 3.

Accountability Services Division

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