

## FUND BALANCE POLICY

### A. Fund Balance Policy

The District hereby establishes and will maintain reservations of Fund Balance, as defined herein, in accordance with Governmental Accounting and Financial Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Policy shall only apply to the District's governmental funds. Fund Balance shall be composed of nonspendable, restricted, committed, assigned and unassigned amounts.

Fund Balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing ones, or enhance the financial position of the District, in accordance with policies established by the Governing Board.

### B. Definitions

**Fund Balance** – refers to the difference between assets and fund liabilities in the governmental funds balance sheet and is referred to as fund equity.

**Non-Spendable Fund Balance** – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (principal of an endowment fund, for example).

**Restricted Fund Balance** – Amounts that can be spent only for the specific purposes stipulated by external resource providers (such as grantors), or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

**Committed Fund Balance** – Amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision making authority. Commitments may be changed or lifted only by the Governing Board taking the same formal action that imposed the constraint originally.

**Assigned Fund Balance** – Amounts the District intends to use for a specific purpose.

**Unassigned Fund Balance** – The residual classification for the general fund and includes amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance which is not obligated or specifically designated and is available for any purpose.

### C. Classification of Fund Balance

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

When expenditures are incurred for purposes for which amounts in any of unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

## SAMPLE POLICY #4

The fund balances of the District's governmental funds include but are not limited to:

### **Nonspendable Fund Balance**

#### *a. Stores*

The stores fund balance is established to indicate those amounts relating to inventories that are not in spendable form.

#### *b. Prepaid and Revolving Cash*

The prepaid and revolving cash fund balance is established to indicate those amounts relating to prepaids and deposits that are not in spendable form.

### **Restricted Fund Balance**

#### *Encumbrances*

The District encumbers funds associated with a purchase order which is evidence of a contract by third party restriction.

### **Committed Fund Balance**

The Governing Board hereby establishes the following committed fund balance:

#### *a. Deferred Maintenance*

The District has elected to continue the use of the Deferred Maintenance Fund 14 and transfer state apportionments into the fund. Expenditures are also authorized according to the five-year plan and may be made with appropriate approval.

#### *b. Fiscal Stabilization Arrangement*

A minimum reserve of 15 percent of the General Fund beginning adopted appropriations (expenditure budget) should be incrementally established and maintained for use in meeting unanticipated needs and/or emergencies.

**Use of Stabilization Fund Balance.** The amount shall be used only after all efforts have been exhausted to fund unanticipated needs and/or emergencies, such as would occur in the event of a natural disaster (i.e. earthquake, wildfires, etc). Once the Chief Administrative Officer or his/her designee has determined that it is necessary to draw down fund balance, written communication should be provided by the CAO to the Governing Board, explaining the nature of the unanticipated need and/or emergency and requires approval by a two-thirds vote of Governing Board. A maximum of fifty percent of the shortfall or fifty percent of the prior fiscal year ending balance in the Stabilization may be drawn, whichever is less. At no time may the balance be less than 7.5 percent of adopted annual appropriations or half of the prior fiscal year ending balance, whichever is greater. The Stabilization Fund Balance may not be used for more than two consecutive years.

**Replenishment of Stabilization Fund Balance.** If the reserves are drawn down below the minimum required level of 15 percent, then a budgetary plan shall be implemented to return the reserve to a minimum 15 percent level in no more than a 5 year period. The progress of replenishment should be reported in the annual budget.

**Funding of Stabilization Fund Balance.** Proceeds from the sale of District owned surplus property and any other funds identified in the budget will be used to increase the reserve. Interest earnings will be applied on the reserve balance each fiscal year.

**Assigned Fund Balance**

*a. Carry Forward*

The carry forward fund balance is identified by the Chief Business Official (CBO) at the close of each fiscal year, subject to approval of Governing Board, and is comprised of the district and departmental/site carry forwards.

District Carry Forward – funds identified in the annual budget (and any revisions thereto) to provide for differences, if any, between budgeted revenues and expenditures.

Departmental/site carry forward – funds for which appropriations have been made in previous fiscal years that have been approved by the CBO to be carried forward to subsequent fiscal years, subject to Governing Board approval.

**D. Authority to Assign**

The CBO shall have authority to assign amounts of fund balance to a specific purpose; however, before expenditure, amounts must be appropriated by the Governing Board.

**E. Minimum Level of Unassigned Fund Balance**

The District does not currently have a formal minimum fund balance policy.

**F. Annual Review and Determination of Fund Balance Reserve Amounts**

Compliance with the provisions of this policy shall be reviewed, presented and discussed as part of the Unaudited Actuals Financial Reporting process and presentation to Governing Board, and the amounts of nonspendable, restricted, committed, assigned and unassigned fund balances shall be reported.

**G. Additional Information, Requirements and Responsibilities**

It will be the responsibility of the Chief Administrative Officer to keep this policy current and up-to-date.