

*[Note from Josh: This policy is based on a portion of the CSBA sample policy 3100. I've retitled it 3101 and focused the text on the fund balance and the reserve.]*

BP 3101

## **Fund Balance Classifications and Reserve**

### **Fund Balance**

The district shall classify fund balances in compliance with Governmental Accounting Standards Board (GASB) Statement 54, as follows:

1. Nonspendable fund balance includes amounts that are not expected to be converted to cash, such as resources that are not in a spendable form (e.g., inventories and prepaids) or that are legally or contractually required to be maintained intact.
2. Restricted fund balance includes amounts constrained to specific purposes by their providers or by law.
3. Committed fund balance includes amounts constrained to specific purposes by the Board.

For this purpose, all commitments of funds shall be approved by a majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period (June 30), although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.

4. Assigned fund balance includes amounts which are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed.

The Board delegates authority to assign funds to the assigned fund balance to the Superintendent and authorizes the assignment of such funds to be made any time prior to the issuance of the financial statements. The Superintendent may further delegate the authority to assign funds at his/her discretion.

5. Unassigned fund balance includes amounts that are available for any purpose.

When multiple types of funds are available for an expenditure, the district shall first utilize funds from the restricted fund balance as appropriate, then from the committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

### **Reserve**

The Board shall establish and maintain a special fund for a reserve for economic uncertainty of 3 percent of the District's general fund expenditures as required by state law

The Board shall annually commit an additional reserve for economic uncertainty of 1 percent of the District's combined general fund expenditures separate and above the State required reserve

of 3 percent and separate from the fund containing any parcel tax share of the 3 percent reserve for economic uncertainty. The additional 1 percent reserve for economic uncertainty, which shall be referred to as the “committed reserve,” shall be committed within the unrestricted general fund.

In any year in which the (i) the committed reserve is less than 1 percent of the District’s combined general fund expenditures, (ii) the adopted budget received a positive certification, and (iii) the unaudited actuals show that there are unassigned funds (excluding funds in the 3% reserve for economic uncertainty and any funds in the committed reserve) above 3% of combined general fund expenditures, then the Board shall increase the committed reserve by two-thirds of the surplus between estimated actuals (from the budget) and the unaudited actuals or less but only if a smaller amount is needed to raise the committed reserve to 1 percent of the District’s combined general fund expenditures.

The Board may only uncommit the funds in the committed unrestricted general fund if any of the following conditions are met:

- It is projected that the District’s 3-year multiyear budget will be deemed to be qualified or negative by the County Office of Education
- It is projected that the District’s combined state and federal revenue is reduced in the middle of a fiscal year