

POLICY TITLE: Fund Balance and Reserves
POLICY NUMBER: 2030

2030.1 In the District’s operating fund, the general fund, fund balance can be reported as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be used. The five classifications conform to GASB Statement No. 54 and are, in order of decreasing constraint:

- a. Non-spendable – These are amounts that cannot be spent due to their nature (e.g. prepaid amounts) or are amounts that must be maintained intact legally or contractually (e.g. corpus of a permanent fund).
- b. Restricted – The amounts are constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation. The constraints are imposed by either laws, grantors, contributors, or creditors. The constraints can only be removed by the imposing party.
- c. Committed – The amounts are constrained for a specific purpose by the District’s board. A board resolution or ordinance is required to impose, remove, or change the constraints placed on these resources.
- d. Assigned – These amounts reflect intended uses of resources by the District’s board. Assigned amounts cannot cause a deficit in unassigned fund balance. Typically, these amounts include set asides for capital asset replacement and outstanding contract obligations.
- e. Unassigned – These amounts have no restrictions.

2030.2 Order of Spending: In order to preserve maximum flexibility, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is presumed that restricted funds are spent first. Similarly, when an expenditure is incurred for purposes for which amounts in any unrestricted fund balances could be used, it is presumed that the committed amounts are spent first, then the assigned amounts, then the unassigned amounts. The District Board may authorize a different order of spending in specific cases.

2030.3 Specific Reserves: The District may establish reserves to accumulate sufficient assets to pay known future liabilities or expenditures associated with known events which can be estimated with a reasonable degree of certainty. The purposes of these reserves may include, but are not limited to:

- a. Self-Insurance
- b. Capital asset replacement
- c. Litigation settlement
- d. Environmental remediation
- e. Audit disallowance
- f. To maintain liquidity

2030.4 The District will maintain a General Reserve of approximately two months of operating expenses. The General Reserve may be increased or decreased only during the annual budget adoption or a revised budget adoption process, except during a legally declared emergency as defined in GC 29127.

The General Reserve will be used to cover unexpected expenses or temporary revenue shortfalls.