

BUSINESS SERVICESFINANCIAL RECORDS/ACCOUNTINGBUDGET ADOPTIONFUND BALANCE POLICY – GASB 54

The Fund Balance Policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The Fund Balance Policy should be established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a Fund Balance Policy is for the district to be in a strong fiscal position that will allow for better position to weather negative economic trends.

The district establishes and maintains reservations of Fund balance in accordance with Governmental Accounting and Financial Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Fund Balance consists of five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- **Nonspendable Fund Balance** consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.
- **Restricted Fund Balance** consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
- **Committed Fund Balance** consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (governing board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- **Assigned Fund Balance** consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.
- **Unassigned Fund Balance** consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

A. Nonspendable and Restricted Funds

Nonspendable funds are those funds that cannot be spent because they are either:

1. Not in spendable form (e.g. inventories and prepaids)
2. Legally or contractually required to be maintained intact

It is the responsibility of the Chief Business Official to report all Nonspendable Funds appropriately in the District's Financial Statements.

Restricted funds are those funds that have constraints placed on their use either:

1. Externally by creditors, grantors, contributors, or laws or regulations or other governments
2. By law through constitutional provisions or enabling legislation

It is the responsibility of the Chief Business Official to report all Restricted Funds appropriately in the District's Financial Statements.

B. Fund Balance Spending Order

Unless legal requirements disallow it, the district will spend the most restricted dollars before less restricted in the following order:

1. Nonspendable – if the funds become spendable
2. Restricted
3. Committed
4. Assigned
5. Unassigned

C. Authority to Commit Funds

The district's governing board has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of a resolution by a simple majority vote. The passage of a resolution must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

D. Authority to Assign Funds

Upon passage of the Fund Balance Policy, authority is given to the district's Chief Business Official to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the district's governing board at their next regular meeting. The governing board has the authority to remove or change the assignment of the funds with a simple majority vote.

The district's governing board has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

E. Unassigned Fund Balance

Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget revision by the District's governing board. In the event of projected revenue shortfalls, it is the responsibility of the Chief Business Official to report the projections to the district's governing board on a quarterly basis and shall be recorded in the minutes.

Any budget revision that will result in the Unassigned Fund Balance dropping below the minimum level will require the approval of 2/3 vote of the district's governing board.

The District will maintain a Reserve for Economic Uncertainties of at least 2% of total General Fund operating expenditures and other financing uses. The primary purpose of this reserve is to avoid the need for service level reductions in the event an economic downturn causes revenues to come in lower than budget. This reserve may be increased from time to time in order to address specific anticipated revenue shortfalls (state actions, etc.) by resolution of the Corona-Norco School District Governing Board.

The fund balance of the district's General Fund is intended to contain reserves to provide stability and flexibility in response to unexpected adversity and/or opportunities. The target is to maintain an unrestricted fund balance of not less than 2% of combined general fund expenditures and other financing uses in the assigned fund balance category for economic uncertainty. The rationale for this level of reserves is to provide the following:

1. To meet state-required reserve levels in accordance with the standards and criteria adopted by the State Board of Education (Education Code 33128)
2. To provide adequate cash to meet financial obligations
3. To provide available funds to meet unanticipated or emergency financial obligations
4. To provide stability during periods of economic distress.

This policy may be amended from time to time by resolution of the Corona-Norco Unified School District Governing Board.