

**Business and Noninstructional Operations**

**Financial Accountability and Reports**

The Governing Board is committed to ensuring accountability to the public for the fiscal health of the District.

The Board shall adopt sound fiscal policies and oversee the District's financial condition.

The Superintendent or designee shall keep the Board informed about the District's finances and shall submit timely reports so that the Board can take appropriate action to ensure the District's financial stability.

The Superintendent or designee may recommend proposed amendments to the District's budgeted revenues and expenditures as may be necessary to maintain a balanced budget.

**Fund Balance Policy**

Purpose

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements for the district's governmental funds. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the District against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures.

The policy also authorizes and directs the Superintendent or designee to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

General Policy

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the District is bound to honor constraints on the specific purpose for which amounts can be spent.

- 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.

### Minimum Fund Balance Policy

The Governing Board maintains a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than four percent of General Fund expenditures and other financing uses.

### Authority to Commit Funds

The Governing Board, as the District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Governing Board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30<sup>th</sup>; however, the amount can be determined subsequent to the release of the financial statements.

### Authority to Assign Funds

Upon passage of the Fund Balance Policy, authority is given to the Superintendent or designee to assign funds for specific purposes. The Governing Board has the authority to remove or change the assignment of the funds with a simple majority vote

### Legal References:

#### Education Code

- 17850 Public disclosure of non-voter-approved debt
- 33127 Standards and criteria for local budgets and expenditures
- 33128 Standards and criteria; inclusions
- 33129 Standards and criteria; use by local agencies
- 35035 Powers and duties of superintendent
- 41010 Accounting system
- 41020 Requirement for annual audit by county superintendent of schools
- 41450 Assistance and guidance to local offices of education
- 41455 Examination of financial problems of local districts
- 42100 Requirement to prepare and file annual statement
- 42127.6 School district operations monitoring; financial obligation nonpayment
- 42130-42134 Reports by school district superintendents
- 42140-42142 Public disclosure of fiscal obligations
- 42647 Drawing of warrants by district on county treasurer; form of warrant; application and approval

### Government Code:

- 3540.2 School district; qualified or negative certification; proposed agreement review and comment
- 16429.1 Local agency investment fund
- 53646 Reports of investment policy and compliance

### Code of Regulations, Title 5

- 15453-15466 Criteria and Standards for School District Interim Reports
- 15480-15493 Criteria and Standards for County Office of Education Reports