

205-01 FUND BALANCE—PROCEDURE

1. PURPOSE

The purpose of the Fund Balance Procedure is to establish a target General Fund balance. It is important to maintain adequate levels of unreserved fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, cash flow management, emergency contingency, and Plant Fund designations. The fund balance also provides cash flow liquidity for general operations.

2. PROCEDURE

1. At the close of each fiscal year, a transfer of funds shall be made to maintain a General Fund ending balance equal to four (4) months of revenues (estimated at 33% of annual revenues). Any excess revenues over expenditures in the General Fund for a fiscal year will be transferred to the Plant Fund for future capital.
2. If the beginning General Fund balance is less than the target, the plant fund transfer of excess revenues over expenditures will be reduced in order to bring the fund balance back to the target level.
3. If the beginning General Fund balance is greater than the target, the transfer to the Plant Fund will be increased to leave the ending General Fund balance at the target.
4. If General Fund expenditures exceed revenues in any fiscal year, no transfer will be made out of the General Fund. The Executive Vice President will determine if funds should be undesignated for plant and transferred back to the General Fund in order to maintain the target fund balance.
5. The District Governing Board may make additional designations of fund balance for capital planning and financial sustainability.

3. BACKGROUND

1. References: NACUBO, GFOA
2. Revision history: 05/08/2013 (new), 09/06/2017 (updated titles and title of sponsor)
3. Legal review: none
4. Sponsor: Business and Administrative Services

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