

BUSINESS AND NON-INSTRUCTIONAL OPERATIONS

Fund Balance Policy

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 Policy is based upon a long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining this policy is for the County Office of Education to be in a strong fiscal position that will allow for better position to weather negative economic trends. This policy also authorizes and directs the County 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. For purposes of fund balance designation, the County Superintendent is provided the highest level of decision making authority.

The Fund Balance consists of five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- **Nonspendable Fund Balance** (9711-9719) consists of funds that cannot be spent due to their form (e.g. revolving cash, inventories and prepaid) or funds that legally or contractually must be maintained intact.
- **Restricted Fund Balance** (9740) consists of funds that are mandated for a specific purpose by external parties (e.g. creditors, grantors, contributors), constitutional provisions or enabling legislation.
- **Committed Fund Balance** (9750-9760) consists of funds that are set aside for a specific purpose by the County Office of Education’s highest level of decision making authority (County Superintendent).
- **Assigned Fund Balance** (9780) consists of funds that are set aside with the intent to be used for a specific purpose by the County Office of Education’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** (9789-9790) 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 and includes the California Department of Education’s established minimum reserve for economic uncertainties.

COUNTY OFFICE OF EDUCATION POLICY PROVISIONS

Nonspendable Funds

Examples of these funds would include revolving cash, inventories, prepaid items, the principal of an endowment fund, or funds that legally or contractually must be maintained intact.

Restricted Funds

Amounts that can be spent only for the specific purpose stipulated by external resource providers (such as the federal or state government). Restrictions may be changed or lifted only with the consent of the resource provider.

Committed Funds

Authority to Commit Funds - The County Superintendent has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance shall be presented within the Adopted Budget and Financial Reporting process for approval by formal action by a simple majority vote of the County Board of Education

Deferred Maintenance Fund – Under the new Local Control Funding Formula, (LCFF) the County Office of Education has elected to continue to commit to the Deferred Maintenance program, the same level of funds received through the Flex provisions of 2008/09 for Deferred Maintenance activities. Transfers of General Fund monies to the Deferred Maintenance Fund are considered to be committed to Deferred Maintenance activities.

Special Reserve for Other than Capital Outlay – The County Office of Education has elected to consider the Special Reserve for other than Capital Outlay Fund 17 as a committed fund. This fund exists primarily to provide for the accumulation of general fund monies for the cost of current and future retiree medical premium costs.

Assigned Funds

Authority to Assign Funds - The Superintendent has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance must be reported to the Board.

Carryover fund balances are identified by the Chief Business Official at the close of each fiscal year, subject to approval of the governing board, and may be designated as Assigned Funds.

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. The County Office of Education is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. This policy establishes an Unassigned Fund Balance minimum as follows:

Reserve for Economic Uncertainty **3%**

Annual Review and Determination of Fund Balance Reserve Amounts

Compliance with the provisions of this policy shall be reviewed, presented and discussed as part of the Adopted Budget and Financial Reporting process, and the amounts of each category shall be reported.

First Reading: June 3, 2014
Second Reading: June 10, 2014
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Revised: Supersedes Policy Adopted November 29, 2011