

**Board Policy DCA: Fiscal Goals and Objectives**

Status: ADOPTED

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## Fund Balance

The accumulation of reserves protects the District from uncontrollable increases in expenditures or unforeseen reductions in revenues, or a combination of the two. It also allows for the prudent financing of capital construction and replacement projects.

The District maintains reserves that are required by law or contract and that serves a specific purpose. These types of reserves are considered restricted and are not available for other uses. Within specific funds, additional reserves may be maintained according to adopted policies. All expenditures of reserves must be approved by the District. This may occur during the budget process or throughout the budget year.

### A. GENERAL FUND

A top priority goal of the District is to maintain the strong fiscal health of the District. Revenue projections are conservative and authorized expenditures are closely monitored. In stable economic times, the combination of these two strategies leads to revenue collections higher than actual expenditures. Year-end balances in the designated reserves may be used a funding source in the next budget term. The General Fund reserves are funded from net revenues to maintain them at appropriate levels.

#### 1. Unreserved Fund Balance

This reserve provides for the temporary financing of unforeseen opportunities\needs of an emergency nature and cash flow seasonality. Funds held in this reserve may be appropriated during the current budget year and may also be used for ensuing budget years as a revenue source if projected expenditures are needed to maintain appropriate levels of service that exceeds projected revenues. Of all General Fund reserves, this is the most flexible.

- a. The General Fund will maintain a minimum unreserved fund balance (the total fund balance less allowable reserves and capital reserve designation) of five (5%) percent of the current year budgeted expenditures.
- b. The target range for the General Fund unreserved fund balance will be seven (7) to ten (10%) percent of the current year's budgeted expenditures.

The District shall strive for the upper portion of this range.

#### 2. Reserved Fund Balance

Designated for Encumbrances - this reserve is maintained in the General Fund and is designed for the payment of future fiscal years of purchases obligated, but not paid in the current fiscal year.

### B. OTHER FUNDS

#### 1. Operating Reserves - operating reserves are held in Enterprise, Internal Service and some Special Revenue Funds. There are two (2) types of Operating Reserves:

- a. An appropriated contingency which provides for unexpected or unanticipated expenditures during the year;
- b. Revenues reserve of working capital is established to provide for unforeseen revenue losses. Should something happen to the economy, there is flexibility without worrying that current expenditures will exceed the total revenue available. This revenue reserve is not appropriated as a part of the annual budget, but may be utilized at the end of the fiscal year, if necessary.

#### 2. Capital Reserves - Capital reserves are established in order to provide for normal replacement of existing capita plant and additional capital improvements financed on a pay-as-you-go basis. Debt financed capital improvements are, by definition, financed by proceeds of bond issues and can maintain a reserve

during the period after the bonds have been issued and prior to completion of the capital projects financed.

3. Debt Reserves - Debt reserves are established to protect bond holders from payment defaults. Adequate debt reserves are essential in maintaining good bond ratings and the marketability of bonds. The amount of debt reserves are established by bond ordinance in association with each bond issuance and state and federal statues applicable at the time.
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