

Revised 12/14/15

Attachment# 1

**Fund Balance Policy
For the
Monterey Peninsula Water Management District**

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 is also intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connections with the annual budget

The Fund Balance Policy should be established based upon a long-term perspective. The main objective of establishing and maintaining a Fund Balance Policy is for the ~~agency-District~~ to be in a strong fiscal position that will allow the District to be in a better position financially to weather negative economic trends.

The Fund Balance consists of five categories: Non-spendable, Restricted, Committed, Assigned, and Unassigned.

Non-spendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories/supplies, loans receivable and prepaid items) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that include amounts that are constrained by the government's intent to be used for specific purposes., ~~but that are neither restricted nor committed.~~ Such intent needs to be established by the governing body itself or a body (a budget or finance committee, for example) or by the official to which the governing body has delegated the authority to ~~commit~~ assign amounts to be used for specific purposes.

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 consist 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 resource necessary to meet unexpected expenditures and revenue shortfalls.

Non-spendable and Restricted Funds

Non-spendable funds are those funds that cannot be spent because they are either:

- 1) Not in spendable form (e.g. inventories and prepaid)
- 2) Legally or contractually required to be maintained intact. It is the responsibility of the Administrative Services Manager/Chief Financial Officer to report all non-spendable funds appropriately in the District's Financial Statements.

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

- 1) External creditors, grantors, contributors, laws, regulations or other governments
- 2) Law through constitutional provisions or enabling legislation. It is the responsibility of the Administrative Services Manager/Chief Financial Officer to report all Restricted Funds appropriately in the District's Financial Statements.

Classifying Fund Balance Amounts

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last, unless the governing board has provided otherwise in its commitment or assignment actions.

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; the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

Authority to Assign Funds

Upon passage of the Fund Balance Policy, authority is given to the Administrative Services Manager/Chief Financial Officer 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 regularly scheduled meetings. 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.

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 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 Administrative Services Manager/Chief Financial Officer to report the projections to the District board on a quarterly basis and shall be recorded in the minutes.