

**NORTH COUNTY CEMETERY DISTRICT
POLICY MANUAL**

POLICY TITLE: Reserve and fund Balance

POLICY NUMBER: 3064

3064.1 The North County Cemetery District (the District) considers it prudent to establish a policy for its reserves and fund balances. The Reserves and Fund Balance Policy will assist with effective development of annual budgets, and promote clear communications with the general public, staff, and administration. The elements of the policy are created by the District for its own purposes and may, therefore, be revised by the District as needed in the future. This Policy will set guidelines for the appropriate level of fund balance, so as to mitigate current and future risks.

3064.2 FUND BALANCE CONSIDERATIONS UNDER GASB 54: The Governmental Accounting Standards Board (GASB) issued Statement No. 54 for implementation effective for fiscal years beginning on or after June 15, 2010. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to honor constraints imposed upon the use of the resources reported in governmental funds. In addition, GASB 54 requires the identification of the authorization level and type of action for Committing or Assigning fund balances.

3064.2.1. Non-spendable Fund Balance - Resources that are inherently non-spendable. The amounts may be in a non-spendable form (such as inventory or prepaid expense) or the amounts may be required by legal or contractual provisions to be maintained intact (such as endowment care fund).

3064.2.2 Restricted Fund Balance - Resources that are subject to externally enforceable legal restrictions; these restrictions are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Examples of restricted fund balance for the District include funds restricted for debt service.

3064.2.3 Committed fund balance: Resources that are constrained to specific purposes by a formal action of Board of Trustees. Action to commit funds must occur within the fiscal reporting period while the amount committed may be determined subsequently. Authority to Commit –the commitment must be made by a formal action (defined as either resolutions or minute actions approved by the Board of Trustees at a noticed public meeting). The constraint remains binding unless removed in the same formal manner by the Board. Examples of committed fund balance for the District include the income from the endowment income fund, Pre-Need funds, capital improvement funds or special project funds.

3064.2.4 Unassigned fund balance: Any residual net resources, in excess of the amounts in the foregoing categories. These amounts are available for any purpose, and are reported only in the general fund.

3064.2.5 Contingency Funds: GASB Statement No. 54 further classifies rainy day funds or contingency funds as “stabilization arrangements” and places specific restrictions on what qualifies for such designation. The formal action of a governing body that imposes the parameters for these arrangements must identify and describe the specific circumstances under which a need for funding would arise. Those circumstances should be such that they would not be expected to occur routinely. The intended purpose must be sufficiently detailed and reported as either restricted or committed, depending on the source of the constraint.

3064.3 DISTRICT FUND SUMMARY: The following describes the District’s major governmental funds:

3064.3.1 General Fund – Use to account for all financial resources except those required to be accounted for in other funds. By definition, unassigned fund balance is reported only in the General Fund.

3064.3.2 Special Revenue Fund for Pre-Need Trust – Used to account for resources collected in advance of District services. By definition this is a Committed Fund.

3064.3.3 Special Revenue Fund for Endowment Care Income – Used to account for the earnings of the Endowment Care Principal Permanent Fund. These resources are committed for the maintenance and care of cemeteries in accordance with the provisions of the Health and Safety Code. It is classified as a Committed Fund.

3064.3.4 Permanent Fund for Endowment Care Principal – Used to account for resources that are collected with the sale of interment spaces and that is legally restricted per the Health and Safety Code. Resources are restricted to the extent that only earnings, and not principal, may be used for purposes that support the District’s programs.

3064.3.5 Capital Outlay Fund - Used to account for the resources committed for the acquisition of land and major fixed assets. These are assigned by the Board. This is a Committed Fund

3064.4 POLICY DIRECTIVES: The GFOA recommends, at a minimum, that general purpose governments, regardless of size, maintain aggregate unrestricted fund balances in their general fund of no less than two months of regular general fund operating revenues or expenditures, whichever is most predictable. The CSDA recommends that special districts should consider the unique circumstances associated with the District’s operational environment when setting a target level of reserves (factors include capital improvement plans, frequency of one-time revenues and expenditures and key operating benchmarks). In accordance with best practices, and legal and accounting guidelines, the District hereby adopts the following fund balance policies:

3064.4.1 The District will make an annual review of its target unrestricted fund balance level. It shall be the policy of the District to seek to maintain a minimum, unassigned General Fund balance equal to two months of projected **Total Operating Expenses**, and six months Total Operating Expenses from combined General Fund balance and available **Capital Outlay Fund** balance, less any debt service budgeted in the fiscal year.

3064.4.2 The District establishes the following usage flow of fund balance. If there is an expenditure incurred for purposes for which both restricted and unrestricted fund balance is available, the District will consider restricted fund balance to have been spent before unrestricted fund balance. Further, if there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance classifications could be used, then the District will consider committed fund balance to be spent before assigned fund balance, and consider assigned fund balance to be spent before unassigned fund balance.

3064.4.3 The District may choose to balance its annual budget by assigning a portion of existing unassigned fund balance, or by reassigning funds in an amount no greater than the projected excess of expected revenues over expected expenditures.

3064.5 POLICY REVIEW AND REVISION: This Reserve and Fund Balance Policy shall be reviewed annually by the Board of Trustees and the General Manager, and may be amended by the Board of Trustees as conditions warrant.