

Imperial Valley College
Proposed Fund Balance Policy

Approved by Budget and Fiscal Planning Committee 3/13/13

FUND BALANCE POLICY

Imperial Community College District recognizes that as a government entity it must maintain an adequate unrestricted fund balance. This unrestricted fund balance would serve as a financial cushion to be used for unanticipated circumstances and events. The District must establish a minimum level at which the unrestricted fund balance is to be maintained.

The following is a list of criteria to be adhered to in establishing the unrestricted fund balance:

- I. Appropriate level of unrestricted fund balance:
 - a. Determine the desired level of unrestricted fund balance as a function of a more predictable amount (e.g., revenues v. expenses).
 - b. The California Community Colleges Chancellor's Office computes unrestricted fund balance as a function of general fund unrestricted expenditures.
 - c. As a general rule, the unrestricted general fund balance should represent a minimum of two months of operating revenues or expenses, whichever is more predictable.
 - d. Under the following circumstances, the District may exceed this general rule:
 - i. Significant volatility in operating revenues or expenses.
 - ii. Potential drain on resources from other funds facing financial difficulties.
 - iii. Rapidly growing expenditure budgets.
 - iv. Irregular cash flow (e.g., disparities in timing between revenue receipts and expenditures).
- II. Circumstances in which unrestricted fund balance can be spent down:
 - a. Unexpected unfavorable variance between revenue budgeted versus actual.
 - b. Damages due to natural disasters.
- III. A plan to restore the unrestricted fund balance in the event the fund balance is spent down:
 - a. Develop a time-line to restore fund balance.

This policy will be reviewed annually.

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