

Kensington Police Protection and Community Services District
General Fund Reserve Policy *(Preliminary Draft)*
May 2018

Policy

The Kensington Police Protection and Community Services District endeavors to maintain adequate reserves in its General Fund as a matter of sound financial management and fiscal prudence. Adequate reserves will strengthen the financial stability of the District and will help to sustain the District in the event of adverse or unexpected circumstances such as temporary revenue shortfalls or unanticipated one-time expenditures.

In accordance with current governmental accounting standards, (GASB 54), fund balances/net position are divided into the following categories:

<u>Category</u>	<u>Description</u>
Non-Spendable	Cannot be readily converted to cash or cannot legally be spent
Restricted	Externally imposed (by granting agencies, governmental entities, etc.) restrictions on spending
Committed	Board of Directors formally-imposed (by resolution or other action) restrictions on spending
Assigned	Funds reserved by Board of Directors direction for designated purposes
Unassigned	Residual balance not classified in any of the above categories

For purposes of this policy, "reserves" refers to the sum of the Committed, Assigned, and Unassigned Fund Balances.

This policy establishes the amount the District will strive to maintain in its reserve funds (committed, assigned and unassigned). According to the Government Finance Officers Association (GFOA), it is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenues shortfalls and unanticipated expenditures). GFOA recommends, at a minimum, that an unrestricted budgetary fund balance in the general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures be maintained.

It is the policy of the Board of Directors of the Kensington Police Protection and Community Services District to maintain a reserve fund balance of at least 25 percent of annual General Fund operating expenditures (minus one-time expenditures). This Reserve is considered a fiscally prudent level to mitigate revenue shortfalls resulting from downturns in economic cycles and also to provide funding for unanticipated funding needs.

This Reserve Policy will be reviewed by the Board of Directors annually as part of the District's budget approval process.
