

# HAPPY HOMESTEAD CEMETERY DISTRICT

## FINANCIAL RESERVES POLICY

### PURPOSE

This policy sets forth the procedures by which the Happy Homestead Cemetery District (“District”) and its Board of Directors (“Board”) will establish and maintain financial reserve balances to:

- A. Guard against service disruptions in the event of economic uncertainties, local disasters, and other financial hardships;
- B. Provide for fluctuations in revenues and expenditures while ensuring adequate cash flow;
- C. Demonstrate continued credit worthiness to bond rating agencies and the financial community; and
- D. Reduce future unfunded liabilities.

### POLICY

#### Section 1 – Governmental Fund Reserves.

- A. The District’s Governmental Fund shall contain reserves, which shall be classified as Nonspendable Fund Balance, Restricted Fund Balance, Committed Reserve, Unassigned Reserve, and Contingency Funds. The District shall maintain minimum reserve balances according to the requirements set forth in this section.
- B. The Nonspendable Fund Balance shall be maintained in an amount as required by law and Generally Accepted Accounting Principles (GAAP). This covers all 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).
- C. The Restricted Fund Balance covers 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.
- D. The Committed Reserve covers resources that are constrained to specific purposes by a formal action of the Board. An action to commit funds must occur within the fiscal reporting period while the amount committed may be determined subsequently.
  1. Authority to Commit – the commitment must be made by a formal action (defined as either resolutions or minute actions approved by the Board 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 any income from the endowment income fund, Pre-Need funds, capital improvement funds, or special project funds.

- F. The Unassigned Reserve covers 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.
- G. Contingency Funds: The Governmental Accounting Standards Board (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.

#### Section 2 – Policy Directives.

- A. The Government Finance Officers Association (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 California Special Districts Association 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:
  - 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.
  - 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.

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.

Section 3 – Policy Review and Revision.

This Reserve and Fund Balance Policy shall be reviewed annually by the Board and the District Manager, and may be amended by the Board as conditions warrant.

Adopted on 7/20/2021.

A handwritten signature in black ink, appearing to read "Willard Ellis", is written over a horizontal line.

Chairman, Willard Ellis