



Policy 5.0 Balanced Budget Policy

EFFECTIVE	December 1, 2009, updated December 6, 2016
RESOLUTIONS	No. 2009-12-309, 2013-2-025
RELATED POLICIES	Board Operating Guidelines General Fund Reserve (Unassigned) Fund Balance Policy
RELATED PROCEDURES	5.1, Budget Preparation 5.2, Capital Improvement Budgeting 5.3, Budget Distribution 5.4, Budget Adjustments (Up to \$25,000) 5.5, Budget Adjustments (Greater Than \$25,000)
SUMMARY STATEMENT	<p>The District has a balanced budget policy requiring that the annual budget be structurally balanced, with financial resources that equal or exceed uses, at the time of adoption. Financial resources include intra-governmental charges, transfers in, use of designated fund balance for designated purpose, and use of one time resources for one time appropriations. Uses include capital maintenance / replacement, intra-governmental charges and transfers out.</p> <p>The District follows best practices in budget preparation including:</p> <ol style="list-style-type: none">1. An assessment of constituent needs, priorities, challenges and opportunities.2. Analysis of recurring and non-recurring revenues, including use of outside consultants to review and project property tax revenue, which is the largest revenue source for the District..3. Analysis of recurring and non-recurring expenses.4. Development of management strategies for long range operating and capital plans.5. Adherence to budget preparation and adoption procedures.6. Measurement and monitoring of performance, and budget adjustments as needed.7. Development of five-year forecasts of revenue and expenses, to guide long-term decision making and maintain fiscal discipline. <p>The accounting basis used in the budget is the same as is used in the Comprehensive Annual Financial Report. This provides for modified accrual for governmental funds and full accrual for internal service</p>



funds except that depreciation is not budgeted.

Governmental funds' unassigned fund balance or proprietary funds' net assets may be used as a resource to achieve a balanced budget in special revenue funds, debt service funds, capital project funds and internal service funds. Additionally, General Fund committed fund balance shall be used as a resource in compliance with the specifications stated in the Board commitment action and resolutions. General Fund unassigned fund balance may be proposed for use as a resource to achieve a balanced budget to address temporary shortfalls in the General Fund when, in the General Manager's determination, it is necessary to continue essential services. Finally, General Fund unassigned fund balance may also be used to address one-time appropriations, as described in the District's General Fund Reserve (Unassigned) Fund Balance Policy.

The District's fiscal period is a calendar year, which ends on December 31st. The budget preparation and adoption process is prescribed in the District's budget procedures, and is concluded each year with the adoption of the proposed budget by the Board of Directors at the second Board meeting in December.

Performance measures are a valuable tool for measuring performance and strategic allocation of resources. Review of performance measurement goals, key indicators, key objectives and accomplishments is incorporated in the budget process and budget document.

OPERATING BUDGETING

The District's operating budgets are prepared on a basis consistent with Generally Accepted Accounting Principles. The District annually adopts (in compliance with Board Operating Guidelines) balanced operating budgets, where sources (estimated revenues and authorized use of preexisting unassigned fund balance) equal/or exceed uses (appropriations). The budget must be balanced at an individual fund level. Annual operating budgets are adopted for the following funds:

- General Fund
- Special Revenue funds
- Internal Service funds
- Permanent funds
- Debt Service funds

CAPITAL BUDGETING

The District's capital budget is prepared on a basis consistent with Generally Accepted Accounting Principles. The District adopts balanced capital budgets, which are on a project length basis, rather than an annual basis. Capital budgets are used for multi-year projects including:

- Acquisition and construction of capital facilities, defined in the



District's Capital Asset Policy, and recorded in the Capital Project Fund

- Projects, with a cost less than the capitalization limit, as defined in the District's Capital Asset Policy, and multi-year programs, which are not subject to capitalization, both of which are recorded in the Other Than Asset (OTA) Fund.

BUDGETARY CONTROLS

The District maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Board of Directors. The level of budgetary control, the level at which expenditures cannot legally exceed the appropriated amounts for the operating budgets, is at the Division level. The level of budgetary control for the capital budgets is at the project level, and is the responsibility of the project manager, and the related Division, in charge of the project.

Encumbrances record commitments in advance of payments and are an extension of the formal budgetary process. Non-project related encumbrances, unless otherwise approved, outstanding at year end, lapse and must be re-appropriated as part of the following year's budget. Project encumbrances do not lapse at year end, since projects are budgeted on a multi-year basis. All unencumbered appropriations in governmental funds lapse at the end of the fiscal year. Unencumbered appropriations in project funds do not lapse at year end since projects are budgeted on a multi-year basis.

Both operating and capital budgets can be adjusted during the year, if required, in accordance with Board Operating Guidelines. The General Manager and CFO/ Assistant General Manager, Finance and Management Services, shall be responsible for ensuring that the budget proposed to the Board of Directors adheres to this Balanced Budget Policy. The Budget Manager, under the supervision and direction of the CFO / AGM, Finance & Management Services, performs this function. The District's annual budget document is available in electronic format on the District's website.