

RIO LINDA ELVERTA RECREATION AND PARK DISTRICT

POLICY & PROCEDURE MANUAL

POLICY TITLE: Fund Balance
POLICY NUMBER: 3125

3125.1 Purpose: To outline the policies and procedures adopted by the Board of Directors regarding provisions for identifying and classifying fund balances in accordance with Governmental Accounting Standards Board Statement (GASB) 54.

3125.2 Background: Government entities should maintain a prudent level of financial resources to protect reducing service levels or incurring debt because of temporary revenue shortfalls or unpredicted one-time expenditures. In addition to the General Reserve, fund balances in the General Fund and non-General Fund budgetary units are comprised of classifications and balances of monies set aside for a specific purpose, or funds that are unrestricted and available for use as circumstances dictate, including being used each year to balance the budget. Currently, the fund balance is divided into three basic classifications for accounting and tracking purposes:

- 3125.2.1** Designations
- 3125.2.2** Reserves
- 3125.2.3** Unreserves

The unreserved fund balance is the official title for what has previously been described as “fund balance” for the General Fund in the District’s budget reports and discussions and is available for those uses the Board of Directors deems necessary. Reserves are legally restricted funds established for a future specific use and are not available for general appropriation. Designations have been set aside by the Board of Directors for a specific purpose. The Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, to become effective for financial statements with periods beginning after June 15, 2010 (Statement 54). Statement 54 is designed to improve financial reporting by establishing fund balance classifications that are easier to understand and apply. Basically, a hierarchy has been established clarifying the constraints that govern how a government entity can use amounts reported as fund balance. Statement 54 establishes the following five new fund balance classifications: Non-Spendable, Restricted, Committed, Assigned, and Unassigned.

3125.3 Non-Spendable Fund Balance: Amounts that are not in a spendable form or are legally or contractually required to be maintained intact (such as inventories).

3125.4 Restricted Fund Balance: Amounts that can be spent only for specific purposes stipulated by external parties (such as creditors, grant providers or contributors) or by law.

3125.5 Committed Fund Balance: Amounts that can be used only for the specific purpose determined by the Board of Directors. Commitments may be changed or lifted only by the Board of Directors taking the same formal action that imposed the constraint originally.

3125.6 Assigned Fund Balance: Comprised of amounts intended to be used by the government entity for specific purposes that are neither restricted, nor committed. Intent can be expressed by the Board of Directors or by an official or body to which the Board delegates the authority. Assigned fund balances can be used to eliminate a projected budgetary deficit in the subsequent year's budget.

3125.7 Unassigned Fund Balance: The residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In non-General Fund funds, if the balance of assigned fund balance is negative, then this could also be classified as an unassigned fund balance.

3125.8 Fund Balances: To maintain the District's credit rating and meet cyclical cash flow shortfalls, economic downturns or local disaster, the budget shall provide for an anticipated balance for general government fund types.

3125.8.1 Fund balance should be maintained to provide the District with sufficient working capital and comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.

3125.8.2 A designation for debt service that is equal to one year of debt service payments will be maintained. Effective the fiscal year ending June 30, 2012 this category will be the Assigned Fund Balance.

3125.8.3 Funds in excess of the upper goal may be considered for the following one-time or short-term purposes:

3125.8.4 Restore funds advanced from the General Reserve in prior years;

3125.8.4.1 Increase the General Reserve to its minimally approved level;

3125.8.4.2 Capital and technology improvements;

3125.8.4.3 Reduction of the unfunded liabilities, including Retirement and Retiree Health obligations;

3125.8.4.4 Debt retirement;

3125.8.4.5 Productivity enhancements;

3125.8.4.6 Cost avoidance projects;

3125.8.4.7 Litigation;

3125.8.4.8 Local match for grants involving multiple departments;

3125.8.4.9 Other purposes deemed to be fiscally prudent for the District as identified and recommended by the District Administrator and approved by the Board of Directors.

3125.9 Classification of Fund Balances: The Auditor-Controller is authorized to evaluate existing fund balance classifications (designations, reserves and unreserved) and reclassify them in accordance with GASB Statement 54, for implementation effective the fiscal year ending June 30, 2011.

3125.9.1 For funds determined to fall within “Committed Fund Balance” classification, the Board of Directors shall formally act before fiscal year-end to establish or re-establish the specified purpose for the funds. Committed Fund Balances must be re-established annually before fiscal year-end by the same formal action.

Restricted Fund Balance	Not in a spendable form; legally or contractually required to be maintained intact.	Inventories
Restricted Fund Balance	Constrained for a specific purpose; changed only with consent of outside party; legally enforceable	Grants Propositions
Committed Fund Balance	Established by Board of Directors for specified purpose (by a formal action of the Board); must be established before fiscal year-end; requires Board action to appropriate.	Capital Project Purchase Orders Encumbrances Delegated authority to amend budgets, contracts or purchase orders
Assigned Fund Balance	Established by governing body or delegated representative; less formal (minutes, memo, purchase order, budget document); may be established after fiscal year-end; may expire at any time by any action	
Unassigned Fund Balance	Residual fund balance after deducting non-spendable, restricted, committed, and assigned fund balance.	Only the General Fund can report positive unassigned fund balance; unless negative fund balance is reported in any of the other four fund types.

3125.10 Funding Flow Assumptions: This policy considers restricted amounts to be spent before unrestricted fund balance when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed, assigned then unassigned amounts in that order will be spent when an expenditure is incurred for purpose for which amounts in an of those unrestricted fund balance classification could be used.