

RESOLUTION NO. 11- 7 69 2

**A RESOLUTION OF THE BOARD OF SUPERVISORS  
OF THE COUNTY OF PLUMAS  
ADOPTING A FUND BALANCE POLICY FOR FINANCIAL STATEMENT  
REPORTING**

**WHEREAS**, the Government Standards Accounting Board (GASB) has issued Statement No. 54, establishing a hierarchy clarifying the constraints that govern how a government entity can use the amounts reported as fund balance; and

**WHEREAS**, the Board of Supervisors has determined that compliance with GASB 54 will clearly define new fund balance classifications; identify the Board as the highest decision-making level of authority; identify authority and actions that lead to committed and assigned fund balances; establish spending priority; establish a minimum fund balance policy, including funds in excess of the upper goal; and establish a budgetary reserve policy.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Supervisors of the County of Plumas, State of California, hereby adopts the policy attached as Exhibit A, establishing a fund balance policy for financial statement reporting purposes.

The foregoing Resolution no 11-7692 was duly passed and adopted by the Board of Supervisors of the County of Plumas, State of California, at a regular meeting of said Board held on the 17<sup>th</sup> day of May, 2011 by the following vote:

**YES:** Supervisors Swofford, Thrall, Kennedy, Meacher, Simpson

**NOES:** None

**ABSENT:** None



Chair, Board of Supervisors

ATTEST:



Executive Clerk / Board of Supervisors

**Administrative Policy -Fund Balance Policy for Financial Statement Reporting  
(GASB No.54)**

**PURPOSE**

To outline the policies and procedures adopted by the Board of Supervisors regarding provisions for identifying and classifying fund balances in accordance with Government Accounting Standards Board Statement No. 54 (GASB 54) and budgetary policies that may be needed to follow fund classifications.

**BACKGROUND**

Government entities should maintain a prudent level of financial resources to protect against reducing service levels or incurring debt because of temporary revenue shortfalls or unpredicted one-time expenditures; to this end, a Budgetary Reserve policy has been included. In addition to the General Reserves, fund balance in the General Funds and non-General Fund budgetary units are comprised of classifications and balances of monies set aside for specific purposes or are funds that are unrestricted and available for use as circumstances dictate.

Prior to GASB 54, fund balances were divided into three basic classifications for accounting and tracking purposes: designations, reserves, and unreserved/undesignated. GASB 54 is designed to improve financial reporting by establishing fund balance classifications that are more specific, consistent, and 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.

GASB 54 establishes the following five fund balance classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned.

**Non-spendable Fund Balance:** Amounts that cannot be spent because they are either in a non-spendable form or are legally/contractually required to be maintained intact (examples would be pre-paid expenses, inventories, advances/loans to other agencies).

**Restricted Fund Balance:** Amounts that can be spent only for specific purposes stipulated by external-creditors, grant providers, or contributors-parties or by the law (examples would be grant monies that can only be used for a specific purpose, say safety or health for instance, or contractual loan payments).

**Committed Fund Balance:** Amounts constrained for a specific purpose by a government's highest decision-making authority (in our case it is the Plumas County Board of Supervisors), that requires the same action to remove or change the constraints as it did to impose the constraint (examples would be reserves or imprest cash) and which may be determined in the subsequent period.

**Assigned Fund Balance:** Positive amounts, for all governmental funds other than the general fund, which were not classified as non-spendable, restricted or committed. Amounts in the general fund 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 Supervisors or an official/body to which the Board of Supervisors delegates the authority (examples would be funds "assigned" for future capital improvement or fixed asset purchases). Amounts reported as assigned can not result in a deficit in Unassigned Fund Balance.

**Unassigned Fund Balance:** Amounts not classified as non-spendable, restricted, committed or assigned in the general fund-the general fund is the only fund that would report a positive amount in unassigned, its residual classification and is technically available for any purpose. For all other governmental funds it is any residual deficits; amount expended in excess of resources after non-spendable, restricted and committed have been recorded.

**Administrative Policy -Fund Balance Policy for Financial Statement Reporting** (pg 2)

**POLICY**

Fund Balances

1. To maintain the County's credit rating and meet cash flow shortfalls, economic downturns or local disaster, the budget shall provide for an anticipated balance in all of the major County funds, to include but not limited to General Fund (all funds starting with 0001), Public Works, Social Services, Public Health, and Mental Health.
2. Fund balance will be maintained to provide the County with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without the need to borrow for operations.
3. The upper goal for the unreserved/undesignated-now classified as Unassigned Fund Balance, for the General Fund (all funds starting with 0001) should not be less than two months of the previous year's final budgeted appropriations, less transfers out and contingencies.
4. A designation for debt service that is equal to one year of debt service payments will be maintained and shall be recorded as Restricted Fund Balance.
5. Funds in excess of the upper goal may be considered for any purposes deemed to be fiscally prudent for the County as identified and recommended by the County Administrative Officer and Budget Officer and approved by the Board of Supervisors.

Classification of Fund Balances

Fund Balance classifications: Assigned, Unassigned, and Committed are considered "unrestricted" fund balances and the order of spending may be determined, by the County Administrative Officer, Budget Officer and/or Auditor/Controller, according to the specific factors involved. Restricted funds shall be spent according to the purpose for which they were received. Committed funds shall always be spent after Assigned and Unassigned funds have been exhausted. The typical spending order of the General Fund will be Restricted (unless the purpose is not met, if the purpose can be met then these funds shall be spent first), Assigned, Unassigned, and then Committed.

The Auditor/Controller is authorized to evaluate and classify fund balance in accordance with GASB Statement 54.

For amounts that are determined to fall within the Committed Fund Balance classification: The Board of Supervisors shall adopt a resolution to establish or change a previously established amount in conjunction with the approval of the next fiscal years adopted budget, retroactively applied to the previous year's final fund balance classification (no later than October 2<sup>nd</sup>).