

Subject: FUND BALANCE REPORTING AND GOVERNMENTAL
FUND DEFINITIONS

Date: 5/25/2011

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PURPOSE:

The purpose of this policy is to provide guidelines for complying with the Governmental Accounting Standards Board (GASB) Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions, and to provide guidelines for the establishment of funds.

DEFINITIONS OF FUND BALANCES CATEGORIES:

- A. Nonspendable Fund Balance – Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
- B. Restricted Fund Balance – Amounts that are restricted to specific purposes and when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- C. Committed Fund Balance – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.
- D. Assigned Fund Balance – Amounts are constrained by the government’s *intent* to be used for specific purposes. Intent should be expressed by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- E. Unassigned Fund Balance – The residual classification for the General fund. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, a negative unassigned fund balance may be reported.

DEFINITIONS OF GOVERNMENTAL FUND TYPES:

- F. General Fund – Used to account for and report all financial resources not accounted for and reported in another fund.
- G. Special Revenue Funds – Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for a specified purpose other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund.
- H. Capital Projects Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- I. Debt Service Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

FUND BALANCE REPORTING AND GOVERNMENTAL FUND DEFINITIONS (Cont.)

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POLICY:

Fund balance classifications:

Fund Balance is the difference between fund assets and liabilities. Fund balances exclude any amounts considered to be “non-spendable”, such as fixed assets and inventories.

Ending fund balances are classified as “restricted”, “committed”, “assigned, or “unassigned”, as appropriate. Restricted fund balances are subject to externally enforceable legal restrictions. Examples include Special Revenue Funds established by State statute and grant funds. Committed fund balances are constrained by limitations that the County imposes upon itself at its highest level of decision making (i.e. the Board of Supervisors in a public meeting). Examples include certain Special Revenue Funds established by the Board for specific purposes. Fund balances committed in this way can only be modified or rescinded by the Board in a public meeting. Assigned fund balances may be constrained by limitations when certain County officials declare their intent to spend funds for specified purposes. Fund balances may be assigned in this way by Elected Officials, the County Manager and the Chief Financial Officer.

Expenditures from fund balance will be drawn first from any restricted balance, next from any committed balance, then from any assigned balance and last from any unassigned balance.

Procedures for the establishment of funds:

All funds will be established in accordance with Governmental Accounting Standards Board (GASB) requirements.

For instance, a Special Revenue Fund may be established when a substantial revenue source is restricted by an external party or committed by the Board for use in a specific way and the activity of the fund would not require it to be a Capital Project or Debt Service Fund. If at any time the original restricted or committed revenue stream ceases, and a new restricted or committed revenue source is not identified, the Special Revenue Fund will have to be closed and reported as part of the General Fund.

Responsibilities:

The Finance Department will be responsible for the creation of new funds and maintenance of existing funds in accordance with GASB requirements.

Departments/Special Districts will be responsible to provide all necessary support that will allow the County to comply with the GASB requirements. This support may include State statute references, contracts, grant awards, and Board of Supervisors minutes, approved resolutions or ordinances. Departments/Special Districts will also be responsible to notify the Finance Department when a restricted or committed revenue source ceases. For example the Finance Department should be notified, when a State statute is repealed, a grant award expires, a capital project construction is completed, or when the Board rescinds or modifies a prior commitment of a revenue source.