

RESOLUTION _____-2018

**A RESOLUTION OF THE HORN BROOK COMMUNITY SERVICES DISTRICT ADOPTING A
FUND BALANCE POLICY FOR FINANCIAL STATEMENT REPORTING**

At a regular meeting of the Board of Directors of the Hornbrook Community Services District, held on November 28, 2018, on a motion made by _____ and seconded by _____, the Board adopts the following resolution:

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 amounts reported as fund balance; and

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

NOW THEREFORE BE IT RESOLVED by the Hornbrook Community Services District Board of Directors hereby adopts the policy attached hereto as Exhibit A, establishing a fund balance policy for financial statement reporting.

BE IT FURTHER RESOLVED the Secretary/Treasurer of aforementioned District is authorized to evaluate existing fund balance classifications (designations, reserves, and unreserved/undesignated) and reclassify them in accordance with GASB 54 for implementation effective the fiscal year ending June 30, 2017.

The foregoing resolution was adopted at a regular meeting of the Hornbrook Community Services District Board of Directors held on the 28th day of November, 2017 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

_____, Secretary

_____, Chairman

PURPOSE

To outline the policies and procedures adopted by the Hornbrook Community Services District regarding provisions for the identifying and classifying fund balances in accordance with Government Accounting Standards Board Statement 54.

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 on 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.

The Government 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: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

A Nonspendable Fund Balance includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact (such as inventories or prepaid amounts).

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

A Committed Fund Balance includes 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.

An Assigned Fund Balance is 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.

An Unassigned Fund Balance is 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.

POLICY/PROCEDURE

Fund Balances

1. 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.
2. 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.
3. The goal for the unassigned General Fund balance is approximately two months of appropriations. There are many factors that must be taken into consideration in achieving this goal.
4. 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, 2017, this category will be the Assigned Fund Balance.
5. Funds in excess of the upper goal may be considered for the following one-time or short-term purposes:
 - a. Capital and technology improvements;
 - b. Debt retirement;
 - c. Productivity enhancements;
 - d. Cost avoidance projects;
 - e. Litigation;
 - f. Local match for grants;
 - g. Other purposes deemed to be fiscally prudent for the District as identified and recommended by the Board of Directors.

Classification of Fund Balances

1. The Secretary/Treasurer 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, 2017.
2. For funds determined to fall within "Committed Fund Balance" classification, the Imaginary Fire District shall adopt a resolution 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.

GASB 54 Classifications		Examples
Non-Spendable Fund Balance	Not in a spendable form; legally or contractually required to be maintained intact	Inventories Prepaid amounts Advances to other funds
Restricted Fund Balance	Constrained for a specific purpose; changed only with consent of outside party; legally enforceable	Grants Bond proceeds Highway user tax Propositions Building permit fees Impact fees
Committed Fund Balance	Established by the Board of Directors for a specified purpose (by resolution); must be established before fiscal year-end; requires Board action to appropriate	General Reserve Accumulated Capital Outlay
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	General Fund Transfer Out Capital Project Purchase Orders Encumbrances Delegated authority to amend budgets, contracts or purchase orders
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

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 a purpose for which amounts in any of those unrestricted fund balance classification could be used.

REFERENCES

Government Accounting Standards Board Statement No. 54