

DEPARTMENT: Auditor

BY: William Davis
PHONE: 209 966-7606

RECOMMENDED ACTION AND JUSTIFICATION: Adoption of the Fund Balance Policy submitted as an attachment. Government Accounting Standards Board, Statement 54 requires a Fund Balance Policy be formally adopted by the governing body.

BACKGROUND AND HISTORY OF BOARD ACTIONS: Government Accounting Standards Board, Statement 54 which was issued in February, 2009 requires that the County formally adopt a policy that supports the financial reporting requirements defined in the Statement. As the governing body, the Board of Supervisors is the County organization with the authority to establish policy for the County.

ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION: Non-compliance with GASB 54 requirements for financial reporting.

Financial Impact? () Yes (X) No	Current FY Cost: \$	Annual Recurring Cost: \$
Budgeted In Current FY? () Yes () No () Partially Funded		
Amount in Budget: \$ _____		List Attachments, number pages consecutively
Additional Funding Needed: \$ _____		1. Board Resolution
Source:		2. Fund Balance Policy
Internal Transfer _____		
Unanticipated Revenue _____ 4/5's vote		
Transfer Between Funds _____ 4/5's vote		
Contingency _____ 4/5's vote		
() General () Other		

CLERK'S USE ONLY:

Res. No.: 11-284 Ord. No. _____
 Vote - Ayes: 4 Noes: _____
 Absent: Junpin
 Approved
 Minute Order Attached No Action Necessary

The foregoing instrument is a correct copy of the original on file in this office.

Date: _____
 Attest: MARGIE WILLIAMS, Clerk of the Board
 County of Mariposa, State of California
 By: _____
 Deputy

COUNTY ADMINISTRATIVE OFFICER:

Requested Action Recommended
 No Opinion
 Comments:

CAO: [Signature]

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

WHEREAS, the Government Accounting Standards 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 of Supervisors as the highest decision-making level of authority; identify authority and actions that lead to committed and assigned fund balances; and establish spending priority.

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


BE IT FURTHER RESOLVED that the County Auditor is authorized to evaluate existing fund balance classifications (designations, reserves and unreserved/undesignated) and reclassify them in accordance with GASB 54 for implementation effective for the fiscal year ending June 30, 2011.

PASSED AND ADOPTED by the Board of Supervisors of the County of Mariposa, at a regular meeting held on June 14, 2011, by the following vote:

AYES: STETSON, BIBBY, CANN, ALLEN

NOES: NONE

ABSENT: TURPIN



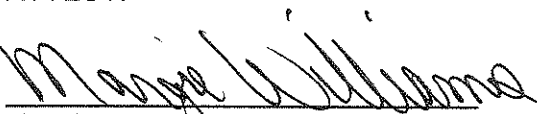
Jim Allen, Chairman of the Board

APPROVED AS TO FORM



Steven W. Dahlem, County Counsel

ATTEST:



Margie Williams, Clerk of the Board

FUND BALANCE POLICY FOR FINANCIAL STATEMENT REPORTING

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 54.

BACKGROUND

Fund balances in the General Fund and non-General Fund budgetary units are composed 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 County budget.

Currently the fund balance is divided into three basic classifications for accounting and tracking purposes: designated, reserved and unreserved/undesignated. The unreserved/undesignated fund balance is the official title for what has been described as "fund balance" in the County of Mariposa's budget reports and discussions and is available for those uses the Board of Supervisors deems necessary. Reserved funds are legally restricted funds established for future specific use and are not available for general appropriation. Designated funds have been set aside by the Board of Supervisors for a specific purpose.

In February 2009 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 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, and Unassigned.

A Non-Spendable Fund Balance includes amounts that are not in a spendable form (such as inventories or prepaid amounts) or are legally or contractually required to be maintained intact (such as the principal of a permanent fund).

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 Supervisors. Commitments may be changed or eliminated only by the Board of Supervisors taking the same formal action that imposed the constraint originally. The formal action must occur prior to the end of the reporting period.

An Assigned Fund Balance includes amounts intended to be used by the government entity for specific purposes that are neither restricted nor committed. Intent can be

FUND BALANCE POLICY FOR FINANCIAL STATEMENT REPORTING

expressed by the Board of Supervisors or by an official or body to which the Board delegates the authority.

An Unassigned Fund Balance includes all amounts not included in the other classifications. Unassigned amounts are available for any purpose. Only the General Fund can have a positive Unassigned Fund Balance. All other funds must show any negative balance as an Unassigned Fund Balance.

POLICY/PROCEDURE

Classification of Fund Balances

The Auditor is authorized to evaluate existing fund balance classifications (designations, reserves and unreserved/undesignated) and reclassify them in accordance with GASB Statement 54, for implementation effective for the fiscal year ending June 30, 2011 and to maintain proper classifications in the future.

GASB 54 Classifications		Examples
Non-Spendable Fund Balance	Not in spendable form; legally or contractually required to be maintained intact	Inventories Prepaid amounts Permanent Fund
Restricted Fund Balance	Constrained for a specific purpose; changed only with consent of outside party; legally enforceable.	Grants User Fees Impact Fees Special Assessments
Committed Fund Balance	Established by Board of Supervisors for specified purpose (by resolution); must be established before fiscal year-end; requires Board action to appropriate; commitment survives budget.	General Reserve Accumulated Capital Ongoing assignment of funds via resolution
Assigned Fund Balance	Established by governing body or delegated representative; less formal (minutes, memo, purchase order, budget document).	General Fund transfers out Capital Projects Purchase Orders Contracts
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. All other funds must report any negative balance as unassigned.

FUND BALANCE POLICY FOR FINANCIAL STATEMENT REPORTING

Spending Priority

This policy stipulates that, when multiple fund classifications are available for any expenditure, the spending priority shall be in the following sequence: Restricted; Committed; Assigned; Unassigned.

RESPONSIBLE DEPARTMENT

Auditor

REFERENCES

Board of Supervisors Resolution No. 11-284
Government Accounting Standards Board Statement No. 54