

CHICO AREA RECREATION AND PARK DISTRICT
FUND BALANCE POLICY FOR THE GENERAL FUND
Board Approved Update 6/20/2013

I. PURPOSE

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the District against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the General Manager to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

II. GENERAL POLICY

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the District is bound to honor constraints on the specific purpose for which amounts can be spent.

- Nonspendable fund balance (inherently nonspendable)
- Restricted fund balance (externally enforceable limitations on use)
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

The first two components listed above are not addressed in this policy due to the nature of their restrictions. An example of nonspendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This policy is focused on the financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

III. PROVISIONS

Committed Fund Balance

The Board of Directors, as the District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a resolution. These committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use through the same type of formal action taken to establish the commitment. Board of Directors action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however the amount can be determined subsequently.

- **General Fund Working Capital Reserve**
The General Fund Balance committed to emergency contingencies is established each year to cover approximately 3 or more months of projected operating costs. The fund may be utilized upon declaration of an emergency by the Board of Directors with a 4/5 affirming vote.
- **Petty Cash Reserve**
The petty cash reserve is set aside to match petty cash kept on hand by the District to conduct operations. The reserve is set at \$1,500.

Assigned Fund Balance

Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the General Manager for the purpose of reporting these amounts in the annual financial statements. A few examples of assigned fund balance follow.

- **Accumulated Capital Reserve**
Funds set aside for the purpose of future capital projects.
- **Debt Service**
Funds set aside for future debt service obligations.
- **Deferred Maintenance Costs**
Funds set aside to replace fixed assets owned by the District. A benchmark funding for this account may be 10% of projected annual depreciation.
- **Election Costs**
Funds set aside for future election costs.

Unassigned Fund Balance

These are residual positive net resources of the general fund in excess of what can properly be classified in one of the other four categories.

Fund Balance Classification

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classification of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

This policy is in place to provide a measure of protection for the District against unforeseen circumstances and to comply with GASB #54. No other policy or procedure supersedes the authority and provisions of this policy.