

COUNCIL POLICY TOWN OF LOS GATOS

Subject: GASB 54 FUND BALANCE POLICY

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Approved:



Effective Date: June 4, 2012

PURPOSE

To outline the policies and procedures adopted by the Town Council regarding provisions for identifying and classifying fund balances in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.

BACKGROUND

Fund balance is the difference between the assets and liabilities reported in a governmental fund. As outlined in Governmental Accounting Standards Board (GASB) Statement No. 54, there are five separate components of fund balance. Each separate component is identified by the extent to which the City is bound to honor the constraints on the specific purposes on which amounts can be spent.

- Non-spendable fund balance (inherently unspendable)
- Restricted fund balance (external 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-no restrictions)

The first two components listed above are not addressed in this policy due to the nature of their restrictions. This policy is focused on the financial reporting of previously unrestricted fund balance, or the last three components listed above. All components further defined below and reflected per this policy are in accordance with GASB 54.

POLICY

Committed Fund Balance

The Town Council, as the Town's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. Town Council action to commit fund balance needs to occur within the fiscal reporting period; however, the amount can be determined subsequently. This category was previously reported as "unreserved, designated" under the old standard.

The following funds are committed:

- Capital Outlay
- Debt Service
- Advances to Other Funds
- Repairs and Maintenance
- Low & Moderate Housing

Assigned Fund Balance

The Town Council delegates the authority to assign fund balance to the Town Manager, for intended specific purposes, to be reported to the full Council. The following assignments are established and may be modified by the Town Manager or his/her designee as deemed appropriate. This category was previously reported as “unreserved” under the old standard:

- Vasona Land Sale Reserve
- Open Space Reserve
- Post-Retirement Medical Reserve
- Parking Reserve
- Market Fluctuations Reserve
- Manager's Contingency Reserve
- Productivity Reserve
- Sustainability Reserve
- Catastrophic Reserve
- Capital and Special Projects Reserve
- Carryover Reserve
- Comcast PEG Fund
- Budget Stabilization Reserve
- Special Studies Reserve
- Debt Service Reserve
- Year End Budget Savings
- Special Revenue Fund
- Compensated Absences Reserve

Unassigned Fund Balance

These are residual positive new resources in the General Fund in excess of what can properly be classified in one of the other four categories. The General Fund may only report a positive unassigned balance. Conversely, any governmental fund in a negative (deficit) position could report a negative amount of unassigned fund balance.

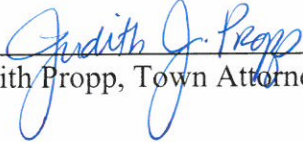
Fund Balance Classification:

The accounting policies of the Town considers restricted fund balance 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 classifications of fund balance could be used, the Town considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Annual Reporting and Periodic Review:

Annually, after the completion of the Town's Comprehensive Annual Financial Report, the Finance Director or designee shall prepare and present a Summary of Fund Balance as part of the Financial Reporting and Town Annual Budget process. At least every two years, the Town Council will affirm or revise this Policy (usually during the budget process).

APPROVED AS TO FORM:



Judith Propp, Town Attorney