
Rim of the World Recreation and Park District

POLICY HANDBOOK

POLICY TITLE: Fund Balance Policy

POLICY NUMBER: 1062

1062.1 Premise

The Rim of the World Recreation and Park District fund balance policy is a financial policy guided by sound accounting principles of public fund management. The policy establishes reserve funds to minimize adverse annual budgetary impacts from anticipated and unanticipated District expenses.

The adequacy of the target reserve year-end balance ranges and/or annual contributions will be reviewed annually during the budgeting process and may be revised accordingly as necessary. The following District **Reserve Fund** is to include: *Capital Replacement Reserve, Capital Acquisition Reserve, and Operating Reserve Funds.*

1062.2 Definitions

Governmental Accounting Standards Board (GASB) Statement 54 distinguishes fund balance amounts classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

1062.2.1 Nonspendable fund balance: amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

1062.2.2 Restricted fund balance: amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).

1062.2.3 Committed fund balance: amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the Board's commitment in connection with future construction projects).

1062.2.4 Assigned fund balance: amounts intended to be used by the government for specific purposes. Intent can be expressed by the Board of Directors or by a designee to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

1062.2.5 Unassigned fund balance: includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

1062.3 Assigned Fund Balances – Operating Reserve Fund

1062.3.1 Purpose: To ensure cash resources are available to fund daily administration, operations, and maintenance of the District.

1062.3.2 Target Balance: Sufficient to fund six months of District expenditures.

1062.3.3 Methodology/Rational: The bulk of the District parcel tax revenues are credited twice annually. The District will identify the target balance needed through the annual budgeting process. This fund need is expected to fluctuate based on each year's identified and approved expenditure needs as well as expected revenues from sources other than parcel fees.

1062.3.4 Use of Funds: These funds will be used to pay for expenditures according to budget and expenditure authority.

1062.4 Assigned Fund Balances – Capital Replacement Reserve Fund

1062.4.1 Purpose: To provide funds for the orderly and timely maintenance of the District facilities to meet future demand and to maintain and/or improve the District's existing level of facility quality.

1062.4.2 Target Balance: Fund a 3.5% reserve balance based on a life cycle study of the District's capital assets with the goal to self-fund upkeep and maintenance as required.

1062.4.3 Methodology/Rational: Use of a Reserve Study which includes an inventory of all current District capital equipment and facilities, an estimate of their useful life, and a schedule of repair/replacement funding needs based on estimated future costs.

1062.4.4 This Study will become a part of the Reserve Fund documentation as an Appendix when complete.

1062.4.5 Funds will be specifically identified for each asset repair/replacement need in proportion to its cost and the actual Capital Improvement Fund Balance available. The reserve summary will indicate by category the level of reserve funding.

1062.5 Assigned Fund Balances – Capital Acquisition Reserve Fund

1062.5.1 Purpose: To provide funds for the future acquisition of parklands when available and facilities as identified in the Master Plan.

1062.5.2 Target Balance: Fully funded acquisition fund based on the District's Master Plan in conjunction with current and future cost estimates.

1062.5.3 Methodology/Rational: The Master Plan is used to identify and plan for future needs of the District. Funding can be through grants as they are available, but reserves are necessary to

take advantage of opportunities that arise with little advance notice including the need for matching funds for grants. The restricted appropriation fund exists to provide for an orderly land acquisition program.

1062.5.4 Use of Funds: The accumulated funds in this area will be disbursed through an annual budgeted appropriation in accordance with the District's programmed acquisition requirements. The Board of Directors may, by a 4/5th vote, use the accumulated funds for an emergency land acquisition during the fiscal year.

1062.6 Committed Fund Balance – Stabilization Reserve Fund

1062.6.1 Purpose: To provide funds for the replenishment of the General Fund (Fund Balance), the Operating Reserve Fund, or the Capital Replacement Reserve Fund when these funds fall significantly below target balances for each as provided herein by policies 1062.3.2 and 1062.4.2.

1062.6.2 Characterization: This fund shall be considered a set-aside reserve fund not deemed as part of the general Fund Balance for calculations of general reserves, per provisions of Governmental Accounting Standards Board Statement 54 (GASBS 54).

1062.6.3 Establishment of the Fund: This fund shall be established as needed by resolution of the Board of Directors, duly passed at an official Board Meeting. Additional transfer of funds may be made by regular motion of the Board of Directors at an official Board Meeting.

1062.6.4 Use of Funds: Draw-down of stabilization funds may be made by motion passage of the Board of Directors whenever the Operating Reserve Fund (Fund Balance) or the Capital Replacement Reserve Fund drops to a level at least 5% below the target balance delineated in policies 1062.3.2 or 1062.4.2 above.

1062.7 Authority

The responsibility for designating funds to specific classifications shall be as follows:

1062.7.1 Committed Fund Balance: The Board of Directors is the District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

1062.7.2 Assigned Fund Balance: The Board of Directors has authorized the General Manager as an official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

1062.8 Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure (e.g., a project is being funded partly by a grant, funds set aside by the Board, and unassigned fund balance), the District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.