TOWN OF PARADISE
RESOLUTION NO. 11-17

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF PARADISE, CALIFORNIA, APPROVING POLICY AND ADOPTING GENERAL FUND RESERVES FOR FISCAL YEAR 2011 - 2012

WHEREAS, the Town of Paradise needs to reserve assigned General Fund monies for the purpose of setting aside contingency funds for unanticipated emergencies or other unplanned financial demands on the Town's General Fund; and

WHEREAS, the Governmental Accounting Standards Board has issued Statement No. 54 entitled "Fund Balance Reporting and Governmental Fund Type Definitions"; and

WHEREAS, the Town of Paradise desires to classify the various components of fund balance reported by the Town as defined in Governmental Accounting Standards Board Statement No. 54.

NOW, THEREFORE BE IT RESOLVED, by the Town Council of the Town of Paradise as follows:

Section 1: The Town Council hereby establishes for the 2011 – 2012 Fiscal Year a General Fund Reserve in the amount of **$1,127,905.**

Section 2: The Town Council of the Town of Paradise hereby defines the various components of funds balance as reported by the Town as presented in the attached Policy (Exhibit A);

Section 3: The classification and reporting of fund balance components as required by Governmental Accounting Standards Board Statement No. 54 will become effective starting with the 2010/11 fiscal year.

Section 4: The Town Council designates the Town Manager as the Town official to determine and define the amount of those components of fund balance that are classified as "Assigned Fund Balance".

Section 5: Notwithstanding the aforementioned section, it is the intent of the Council to increase the General Fund Reserve to 15% of General Fund Appropriations.

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PASSED AND ADOPTED by the Town Council of the Town of Paradise this 28th day of June, 2011 by the following vote:

AYES: Steve "Woody" Culleton, Joe DiDuca, Scott Lotter, Tim Titus and Alan White, Mayor

NOES: None.

ABSENT: None.

NOT VOTING: None.

[redacted]

Alan White, Mayor

ATTEST:

BY: [redacted]

Joanna Gutierrez, CMC, Town Clerk

APPROVED AS TO LEGAL FORM:

BY: [redacted]

Dwight L. Moore, Town Attorney

Town of Paradise
Fund Balance Policy
(Exhibit A)

PURPOSE:

This Fund Balance Policy established procedures for reporting fund balance classifications, establishes prudent reserve requirements, and establishes a hierarchy of fund balance expenditures. The policy also authorizes and directs the Finance Director to prepare financial reports, which accurately categorize fund balance per Governmental Accounting Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). Further this policy is established in order to prove a measure of financial protection for the Town against unforeseen circumstances and to comply with GASB No. 54. No other policy or procedure supersedes the authority and provisions of this policy.

I. FUND BALANCE COMPONENTS

Fund Balance is essentially the difference between the assets and liabilities reported in a governmental fund. GASB 54 establishes the following five components of fund balance, each of which identifies the extent to which the Town is bound to honor constraints on the specific purposes for which amounts can be spent.

A. Non-Spendable Fund Balance

The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. The "not spendable form" criterion includes items that are not expected to be converted to cash, for example advances to other funds, inventories, and prepaid amounts. It also includes the long term amount of loans and notes receivable.

B. Restricted Fund Balance

The restricted fund balance classification includes amounts that reflect constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

C. Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. Those committed amounts cannot be used

for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example legislation, resolution, ordinance) it employed to previously commit those amounts. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

D. **Assigned Fund Balance**

The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but that are neither restricted nor committed. Such intent needs to be established by (a) the governing body itself or (b) a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

E. **Unassigned Fund Balance**

The unassigned fund balance classification includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

II. STABILIZATION ARRANGEMENTS (Prudent Reserve)

Per GASB 54, governments have the option to formally set aside unrestricted fund balance amounts for use in emergencies, revenue shortages, or budget imbalances. The authority to set aside such amounts can be established by statue, ordinance, resolution, charter or constitution. These amounts may be spent only if certain specific circumstances exist. Stabilization amounts should be reported in the general fund as restricted or committed. The notes of the financial statements disclose the authority for establishing the arrangement, the requirement for additions to the amount, the conditions under which amounts may be spent and the balance.

The Town currently has a general fund balance of about 13.9% of total current general fund appropriations. This policy will hereby formalize a policy for a prudent committed reserve for unanticipated emergencies, equipment, buildings and leave liability. It is a strategic goal of the Town to maintain a minimum 2% general fund committed reserve over and above non-spendable fund balance for the purpose of these future contingencies.

III. HIERARCHY OF SPENDING FUND BALANCE

GASB 54 mandates that the hierarchy of expending fund balances be reported in new categories, using new terminology, and be formally adopted by the Town Council. It should be noted that the new categories only emphasize the extent which the Town is bound to honor expenditure constraints and the purposes for which amounts can be spent. The total reported fund balances would remain unchanged.

PRIOR ELIMINATED FUND BALANCE CLASSIFICATIONS	GASB 54 FUND BALANCE CLASSIFICATIONS
Reserved	Non-Spendable
	Restricted
Unreserved and Designated	Committed
	Assigned
Unreserved and Undesignated	Unassigned

IV. COMPARISON OF PRIOR AND GASB 54 FUND BALANCE TYPES

A. General Fund

- Prior Definition – The General Fund is used to account for all financial resources not accounted for in another fund.
- GASB 54 Definition – The General Fund is used to account for all financial resources not accounted for in another fund.

B. Special Revenue Funds

- Prior Definition – Special Revenue Funds account for proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.
- GASB 54 Definition – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

C. Capital Projects

- Prior Definition – Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities.
- GASB 54 Definition – Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisitions or construction of capital facilities and other capital assets. Capital Project Funds exclude those types of capital

related outflows financed by proprietary funds, or for assets that will be held in trust for individuals, private organizations, or other governments.

D. Debt Service

- Prior Definition – Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- GASB 54 Definition – Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.