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| <b>CITY OF WILDOMAR<br/>ADMINISTRATIVE POLICY</b>  | <b>Number<br/>FIN6</b>                          |
|  | <b>Date<br/>3/28/11</b>                         |
| <b>SUBJECT:<br/>FUND BALANCE</b>   | <b>Authority<br/>City Manager</b>               |
|  | <b>Administrator<br/>Assistant City Manager</b> |
| <p><b>Policy:</b><br/>It is the policy of the City of Wildomar to establish 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 City against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Finance Director 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.</p> <p><b>Procedure:</b><br/>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 City is bound to honor constraints on the specific purposes for which amounts can be spent.</p> <ul style="list-style-type: none"> <li>• Nonspendable fund balance (<i>inherently nonspendable</i>)</li> <li>• Restricted fund balance (<i>externally enforceable limitations on use</i>)</li> <li>• Committed fund balance (<i>self-imposed limitations on use</i>)</li> <li>• Assigned fund balance (<i>limitation resulting from intended use</i>)</li> <li>• Unassigned fund balance (<i>residual net resources</i>)</li> </ul> <p>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 financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.</p> <p><b><u>Committed Fund Balance</u></b><br/>The City Council, as the City'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. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.</p> <ul style="list-style-type: none"> <li>• <u>General Fund Reserve</u><br/>10% of the budgeted expenditures for any given fiscal year is to be retained as the</li> </ul> |   |

General Fund Reserve for specific uses such as economic uncertainty, declaration of a local, state or federal emergency/disaster, or any other emergency expenditure deemed appropriate by City Council. The City Council may, by majority vote, change the amount of this commitment and/or the specific uses of these monies.

**Assigned Fund Balance**

Amounts that are constrained by the City'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 Assistant City Manager for the purposes of reporting these amounts in the annual financial statements. A few examples of assigned fund balance are as follows.

- Continuing Appropriations  
Fund balance levels must be sufficient to meet funding requirements for projects approved in prior years and which must be carried forward into the new fiscal year.
- Debt Service  
Established to provide for future debt service obligations.
- Budget Balancing Measures  
Funds set aside for the purpose of stabilizing the delivery of City services during periods of operational budget deficits and to mitigate the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures.

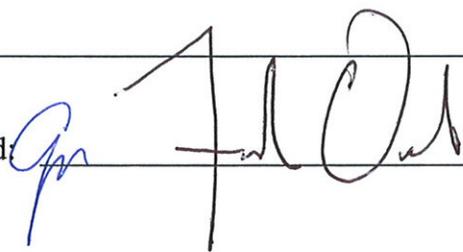
**Unassigned Fund Balance**

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 accounting policies of the City consider 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 City 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 City against unforeseen circumstances and to comply with GASB Statement No. 54. No other policy or procedure supersedes the authority and provisions of this policy.

Approved:  Date: 4/7/11

**RESOLUTION NO. 2011 - 20**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WILDOMAR, CALIFORNIA, ADOPTING A FUND BALANCE POLICY TO COMPLY WITH GASB STATEMENT NO. 54 AND TO PROVIDE A MEASURE OF PROTECTION AGAINST UNFORESEEN FINANCIAL CIRCUMSTANCES**

**WHEREAS**, the City of Wildomar establishes a policy for reporting unrestricted fund balance in the General Fund financial statements; and

**WHEREAS**, certain commitments and assignments of fund balance will help ensure that there will be financial resources to protect the City against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures; and

**WHEREAS**, the said policy authorizes and directs the Finance Director to prepare financial reports which accurately categorize assigned fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions; and

**WHEREAS**, the City of Wildomar, pursuant to said policy, shall establish a General Fund Reserve consisting of 10% of the budgeted expenditures for any given fiscal year for specific uses such as economic uncertainty, declaration of a local, state or federal emergency/disaster, or any other emergency expenditure deemed appropriate by City Council; and

**WHEREAS**, the General Fund Reserve as a commitment of fund balance 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; and

**WHEREAS**, the commitment of fund balance needs to occur within the fiscal reporting period with the amounts to be determined subsequently if necessary.

**NOW, THEREFORE, BE IT RESOLVED, AS FOLLOWS:**

- A. That the City of Wildomar, pursuant to said policy, shall establish a General Fund Reserve consisting of 10% of the budgeted expenditures for any given fiscal year for specific uses such as economic uncertainty, declaration of a local, state or federal emergency/disaster, or any other emergency expenditure deemed appropriate by City Council.
- B. The General Fund Reserve as a commitment of fund balance 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.

- C. The commitment of fund balance needs to occur within the fiscal reporting period with the amounts to be determined subsequently if necessary.
- D. That the City of Wildomar has fully complied with per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

**PASSED, APPROVED AND ADOPTED** this 13th day of April, 2011.



Marsha Swanson  
Mayor

APPROVED AS TO FORM:

ATTEST:



Julie Hayward Biggs  
City Attorney



Debbie A. Lee, CMC  
City Clerk

STATE OF CALIFORNIA )  
COUNTY OF RIVERSIDE )  
CITY OF WILDOMAR )

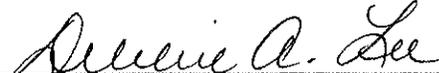
I, Debbie A. Lee, CMC, City Clerk of the City of Wildomar, California, do hereby certify that the foregoing Resolution No. 2011 - 20 was duly adopted at a regular meeting held on April 13, 2011, by the City Council of the City of Wildomar, California, by the following vote:

AYES: Mayor Swanson, Mayor Pro Tem Benoit, Council Members Cashman, Moore, Walker

NOES: None

ABSTAIN: None

ABSENT: None

  
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Debbie A. Lee, CMC  
City Clerk  
City of Wildomar