

## 2.10 FUND BALANCES

- 2.10.1 Fund balances are classified in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Reporting of fund balance in LAFCO's CAFR will be based on the amounts and classifications listed in the fund balance summary of LAFCO's Annual Budget. Classification of fund balance reflects the current plans of the Commission with respect to the use of fund balance. These plans represent current intention and are subject to change and assignment. Furthermore, the classification of funds (reflecting current plans for asset use) does not in any way limit the ability of LAFCO to use those funds for other purposes, as deemed necessary by LAFCO.
- 2.10.2 Under GASB Statement Number 54, fund balances will be classified as "Non-Spendable" and "Spendable". Spendable categories will be further classified as *Restricted, Committed, Assigned, and Unassigned*.
- 2.10.3 Non-Spendable: The Commission shall designate fund balance as "Non-Spendable" for amounts that cannot be spent or are not in spendable form (i.e. prepaid items, land held for resale, long-term receivables), or are legally or contractually required to be maintained intact. Although, if the use of the proceeds from the sale of those properties or from the collection of those receivables is restricted, committed, or assigned, then they should be included in the correct spendable classification rather than the Non-Spendable classification.
- 2.10.4 Spendable Category Definitions
- a. Restricted: The Commission shall designate fund balance as "Restricted" for amounts that are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments. The Commission shall also designate fund balance as "restricted" if required by imposed enabling legislation or regulations.
  - b. Committed: The Commission shall designate fund balance as "Committed" for amounts committed for specific purposes by formal action of LAFCO, such as enacted ordinances, resolutions, or action items, which prevent the amounts from being used for any other purpose without formal action of LAFCO. Committed funds also include contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
  - c. Assigned: The Commission or Executive Officer may designate fund balance as "Assigned" for amounts intended to be used for specific purposes without formal action. This authority to determine the portions of a fund balance that is to be reported as "Assigned" in

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LAFCO's CAFR may be delegated to the Executive Officer or the Executive Officer's designee.

- d. Unassigned: The Commission shall designate fund balance as "Unassigned" for amounts that are in excess of Non-Spendable, Restricted, Committed, and Assigned fund balances.

2.10.5 LAFCO will allocate the fund balances in the following manner:

- a. Assigned: An "Accrued Leave" fund to cover the balance of all employees' vested time off (vacation and sick leave), allocated annually as a line item in the budget. Funds may be expended for the sole purpose of compensating an employee who leaves the agency's employment of the balance of his/her accrued time off, in accordance with applicable Federal and State laws and in conformance with LAFCO's policies. Disbursement of the Accrued Leave is delegated to the Executive Officer.
- b. Assigned: An "Operating Contingency" fund set at 10% of total operating expense, allocated annually as a line item in the budget. Funds may be expended to cover increases in cost for other budget items or unexpected expenses within the scope of other items in the budget. Disbursement of the operating contingency is at the discretion of the Executive Officer.
- c. Assigned: An "Emergency Reserve" fund set at a minimum of 15% and maximum of 25% of the LAFCO's current year operating budget for the purposes of funding non-budgeted legal expenses that may occur from time-to-time; unexpected catastrophic expenses; or an unexpected drop in revenues. Expenditure of "Emergency Reserve" funds must receive prior approval of the Commission; however, an emergency expense can be authorized from the "Emergency Reserve" with approval of the Executive Officer and either Commission Chair or Vice Chair for an amount totaling less than \$10,000.00 during a monthly period. Assignments into this classification will not be allocated in the budget. Instead, assignments into this fund will come from any carryover monies that are in excess of the estimated carryover amount specified in the final budget. Upon the time the "Emergency Reserve" fund is fully funded in accordance with this policy, the application of any excess carryover monies will be applied per Policies & Guidelines Section 2.7.5. The Executive Officer shall make recommendations to the Commission during adoption of the annual budget for replenishing this fund.
- d. Unassigned: Carryover/Fund Balance amounts, as defined in Policy 2.1.

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- e. Unassigned: An “Operating Reserve” fund set at 30% of LAFCO’s current year operating budget for the purpose of cash flow management with the timing of agency contribution reimbursement from El Dorado County. Disbursement of the “Operating Reserve” is at the discretion of the Executive Officer. Replenishment of the “Operating Reserve” for disbursement made in the same fiscal year is at the discretion of the Executive Officer. Assignments into this classification will not be allocated in the budget. Instead, assignments into this fund will come from any carryover monies that are in excess of the estimated carryover amount specified in the final budget. The Executive Officer makes recommendations to the Commission during adoption of the annual budget for replenishing this fund.