

## Updated Fund Balance Policy

Due to the implementation of Government Accounting Standards Board Statement #54 in fiscal year 2010 as reflected in the FY 09/10 Audit Report, JWB needs to update its policy to reflect the new requirements. The following is a legislative style format for review and discussion.

### **K. Reserve Fund Balance Policy**

The JWB shall maintain a prudent reserve fund to assure that it has an adequate capability to respond to changing or emerging community needs, unanticipated funding opportunities, the need to stabilize the millage rate, natural disasters, or emergency situations that threaten to disrupt the orderly delivery of services to families and children in Pinellas County. This policy ensures that JWB maintains An adequate fund balance/net assets and reserve in the operating fund is also necessary to assure the effective management of cash flow for daily financial needs and provide for unforeseen economic downturns, revenue shortfalls and emergencies.

The Board shall adopt and periodically review targets for its designation of fund balance that reflect:

- The statutory prohibition against incurring debt for capital expenses.
- The unique role of JWB as a funder of ongoing services to families and children.

Designations of general fund balances represent tentative plans for future use of financial resources. In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise the limitations on the funds. The fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

**Non-spendable** includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually bound. **Restricted** consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law. **Committed** consists of amounts that can only be used for specific

purposes pursuant to constraints imposed by formal action of the JWB. **Assigned** consists of amounts that are constrained by the JWB's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the JWB Board or the Executive Director as established in the Board's Policy. **Unassigned** represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

The total ~~cash reserves (fund balance)~~ designation of fund balance, less third party non-spendable or restricted funds, of JWB, shall not exceed 20% of the budgeted expenditures for the immediate succeeding fiscal year as established by Board action during the budget process.

The Board shall identify both its ~~undesignated-unassigned~~ and ~~designated committed / assigned~~ cash reserves.

a. The "~~Designated Cash Reserve Committed and/or Assigned fund balance~~" includes:

1. Those sums from the prior year(s) that are budgeted for expenditure in the immediate succeeding fiscal year (cash forward).
2. Those sums necessary to sustain mandated reserve levels.
3. Those sums dedicated to a future capital expense for building expansion or construction.
4. Those sums which, by formal action, the Board has committed to expend in succeeding fiscal years.

b. The "~~Undesignated Cash Reserve Unassigned fund balance~~" is the difference between the total ~~Cash Reserves and the Designated Cash Reserves~~ fund balance less all other components defined.

1. JWB shall maintain an emergency reserve within the ~~Undesignated Cash Reserve~~ Unassigned fund balance of at least 3% of the budgeted expenditures for the immediate succeeding fiscal year to meet the requirements of natural disaster or similar calamitous events.
2. JWB shall seek to maintain a total ~~undesignated-unassigned~~ fund balance that shall not exceed 10% of the budgeted expenditures for the immediate succeeding fiscal year.