

TOWN OF BELLEAIR
GOLF SPECIAL REVENUE FUND BALANCE POLICY

EXHIBIT A

INTENT

The intention of this policy is to ensure that sufficient fund balance in the Golf Fund is reserved for future capital expense, operational reserve, and emergency expenses.

A. DEFINITIONS

Fund Balance – As defined by the *Governmental Accounting, Auditing and Financial Reporting* of the Government Finance Officers Association, fund balance is “The difference between assets and liabilities reported in the government fund.”

Non-Spendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Commission, the highest level of decision making authority. Commitments may be changed or lifted only by the Commission taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned Fund Balance – Includes spendable fund balance amounts established by management that are intended to be used for specific purposes that are neither considered restricted nor committed.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the Golf Fund. 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 Golf Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Unrestricted Fund Balance – The total of *committed fund balance, assigned fund balance, and unassigned fund balance*.

Reservations of Fund Balance – Reserves established by Commission (*committed fund balance*) or management (*assigned fund balance*).

B. PURPOSE

The Town hereby establishes and will maintain Fund Balance, as defined herein, in accordance with Governmental Accounting and Financial Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund Balance shall be composed of non-spendable, restricted, committed, assigned and unassigned amounts.

A Fund Balance Policy is adopted in order to secure and maintain investment-grade credit ratings, meet seasonal shortfalls in cash flow, and reduce susceptibility to emergency or unanticipated expenditures and/or revenue shortfalls. Fund balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing ones, or enhance the financial position of the Town in accordance with policies established by the Commission.

This Fund Balance Policy establishes:

- a) Fund balance policy for the Golf Fund;
- b) Reservations of fund balance for the Golf Fund;

- c) The method of budgeting the amount of estimated unrestricted fund balance (also known as *estimated beginning fund balance*) available for appropriation during the annual budget adoption process (prior to the actual audited fund balance being known) and what actions may need to be taken if the actual fund balance is significantly different than the budgeted fund balance and
- d) Establish the spending order of fund balances.

C. FUND BALANCE POLICY (GOLF FUND)

1. RESTRICTED FUND BALANCE

There is no restricted fund balance in the Golf Fund. Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation will be budgeted and reported in special revenue funds, capital project funds or debt service funds.

2. COMMITTED FUND BALANCE

Commitment of fund balance may be made for such purposes including, but not limited to, a) major maintenance and repair projects; b) meeting future obligations resulting from a natural disaster; c) accumulating resources pursuant to stabilization arrangements; d) establishing reserves for disasters; and/or e) for setting aside amounts for specific projects.

Commitment of fund balance may be made from time-to-time by resolution of the Commission. Commitments may be changed or lifted only by the Commission taking the same formal action that imposed the constraint originally (resolution). The use (appropriation) of committed fund balances will be considered in conjunction with the annual budget adoption process or by budget amendment approved by resolution of Commission during the fiscal year.

3. ASSIGNED FUND BALANCE

Assignment of fund balance may be a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Assigned fund balance shall reflect management's intended use of resources as set forth in the annual budget (and any amendments thereto). Assigned fund balance may or may not be appropriated for expenditures in the subsequent year depending on the timing of the project/reserve for which it was assigned.

4. NON-SPENDABLE FUND BALANCE

Non-spendable fund balance is established to report items that are not expected to be converted to cash such as inventory and prepaid items; items not currently in cash form such as the long-term amount of loans and notes receivable as well as property acquired for resale; and items legally or contractually required to be maintained intact such as the corpus (or principal) of a permanent fund.

5. MINIMUM LEVEL OF UNASSIGNED FUND BALANCE

Unassigned fund balance is the residual classification for the Golf Fund and represents fund balance that has not been restricted, committed or assigned to specific purposes within the Golf Fund.

If, after the annual audit, prior committed or assigned fund balance cause the unassigned fund balance to fall below 10% of total golf operating expenditures, the Manager will so advise Commission in order for the necessary action to be taken to restore the unassigned fund balance to 10% of total golf operating expenditures.

The Manager will prepare and submit a plan for committed and/or assigned fund balance reduction, expenditure reductions and/or revenue increases to Commission. The Town shall take action necessary to restore the unassigned fund balance to acceptable levels within two years.

D. RESERVATIONS OF FUND BALANCE (GOLF FUND)

1. ASSIGNED FUND BALANCE

The Town hereby establishes the following assigned fund balance reserves in the Golf Fund:

- a) Assignment for capital expense – Each year, \$50,000 dollars shall be assigned specifically for future capital improvement expenses.

E. BUDGETING

1. APPROPRIATION OF UNRESTRICTED FUND BALANCE

The actual amount of unrestricted fund balance (total of *committed fund balance, assigned fund balance and unassigned fund balance*) is not known until the completion of the annual audit which takes place between three to six months after the end of the fiscal year being audited. However, an estimate of unrestricted fund balance (also called *estimated beginning fund balance*) must be made during the annual budget adoption process (July through September) which is prior to the end of the fiscal year, September 30th.

2. ESTIMATED BEGINNING FUND BALANCE

In order to achieve the most accurate estimate possible, the Manager or designee shall project both Sources of Funds (revenues, prior years unrestricted fund balances carried forward and other financing sources) and Uses of Funds (operating and non-operating expenditures), including accruals, for each department in each governmental fund through September 30th of the then current fiscal year. These projections will be shown in a separate column entitled “Estimated Actual” for each fund in the proposed, tentative and final budget documents. The difference between the estimated actual sources of funds and estimated actual uses of funds is the calculated estimated beginning fund balance for the subsequent fiscal year. If planned for use in the subsequent fiscal year, committed and assigned fund balance may be included in the estimated beginning fund balance.

3. ESTIMATED ENDING FUND BALANCE

For the year being budgeted, a calculation of estimated ending fund balance shall also be made. This calculation shall be the difference between the budgeted sources of funds and the budgeted uses of funds as described above.

Since the uses of funds are restricted, committed or assigned in all other governmental fund types there is no policy to the amount of ending fund balance unless the project is completed and the fund should be closed. In this situation, a residual equity transfer will be made to zero-out any remaining fund balance.

If, after the annual audit, the actual Golf Fund unassigned fund balance is greater than 10 percent of operating expenditures in the Golf Fund, the excess may be used in one or a combination of the following ways:

- a) Left in the Golf Fund to earn interest and roll forward into the subsequent year's beginning fund balance;
- b) Appropriated by resolution of Commission for a one-time expenditure or opportunity that does not increase recurring operating costs;
- c) Committed to establish or increase a formal stabilization arrangement or reserve (including but not limited to economic stabilization, contingency reserves or disaster reserves); or
- d) Appropriated for start-up expenditures of new programs, undertaken at mid-year, provided that such action is considered in the context of Commission-approved multiyear projections of revenues and expenditures.
- e) Be transferred to other governmental funds as the commission deems necessary.

F. SPENDING ORDER OF FUND BALANCES

The Town uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal

documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Town would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. ANNUAL REVIEW AND DETERMINATION OF FUND BALANCE POLICY

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process, and the amounts of restricted, committed, assigned, non-spendable and the minimum level of unassigned fund balance shall be determined during this process.

H. ADDITIONAL INFORMATION, REQUIREMENTS/RESPONSIBILITIES

It will be the responsibility of the Finance Director to keep this policy current.

I. EFFECTIVE DATE

This Policy shall take effect immediately upon adoption.

Original Issue Date:_____

Approved:

Date

