

# Children's Services Council of Palm Beach County

## Fund Balance Policy

The Fund Balance represents the cumulative difference of all revenues and expenditures.

The Council believes that sound financial management principles require that sufficient funds be retained by the Council to provide a stable financial base at all times. To retain this stable financial base, the Council needs to maintain a General Fund Balance sufficient to fund all cash flows of the Council, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, to offset significant economic downturns or revenue shortfalls, and to provide funds for all existing encumbrances.

This policy will specify the size and composition of the Council's financial reserves and to identify certain requirements for replenishing any fund balance reserves utilized.

The term "sufficient funds" as stated above is interpreted to represent a floor of 27.5% of the proposed annual operating budget for the subsequent year.

Government Accounting Standards Board (GASB) Statement No. 54 identifies five separate categories of fund balance, based on the extent to which the Council is bound to honor constraints specific purposes for which amounts can be spent. Fund balance classification are as follows:

**Restricted - Non-spendable fund balance,  
Restricted fund balance,**

**Unrestricted – Committed fund balance,  
Assigned fund balance, and  
Unassigned fund balance.**

The first two categories are restrictive in nature. The last three categories are those in which a constraint on resources or spending is imposed by the Council, The categories are explained in more detail below.

**Non-spendable fund balance** – that portion of the fund balance that reflects amounts assets that are not in spendable form (inventory or prepaid amounts) or are legally required to be maintained intact (principal of endowment funds).

**Restricted fund balance** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers (grant providers) constitutional provisions or through enabling legislation that creates a new revenue source and restricts its use. Restrictions may be changed or lifted only with the consent of resource providers.

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**Committed fund balance** – This classification includes amounts that can be used only for specific purposes as determined by formal action of the Council itself, using its highest level of decision making authority (i.e., the Council Members). These funds cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

**Assigned fund balance** – comprises amounts intended to be used for specific purposes. The intent can be expressed by the governing body or by an official (Chief Executive Officer) or body which the governing body delegated authority. Assigned fund balance represents the amount that is not restricted or committed. Assigned fund balance includes:

Assigned for contingencies; funds that provide for emergency situations requiring cash flow and/or funding of one time costs not included in the annual budget.

Assigned amounts used to balance the annual budget

Unassigned fund balance – this classification includes amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund.

### **Replacement**

If the fund balance falls below the minimum 27.5% of the proposed annual operating budget for the subsequent year in each year of a three year period, a specific amount will be allocated in the Council's annual budget to be used to replenish the fund to the 27.5% floor.

### **Annual Review**

Compliance with the provisions of this policy shall be reviewed as part of the annual budget adoption process.

### **Fund Balance Policy Adoption**

The Fund Balance Policy was adopted on April 24, 2014, and revised on March 31, 2016.