

Policy 2080 GASB 54 Fund Balance

This policy establishes the classification, reporting, and expenditure hierarchy for governmental fund balances in accordance with GASB Statement No. 54 and provides a framework for maintaining financial stability.

PURPOSE

This Fund Balance Policy establishes procedures for reporting fund balance classifications, establishes reserve requirements, and defines a hierarchy of fund balance expenditures for the Olympic Valley Public Service District (the "District"). This policy authorizes and directs the Finance and Administration Manager to prepare financial reports that accurately categorize fund balance per Governmental Accounting Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This policy is established to provide a measure of financial protection against unforeseen circumstances, to comply with GASB 54, and to ensure that fund balance classifications reflect the true nature and availability of the District's financial resources.

SCOPE

This policy applies to the District's governmental fund—the General Fund (Fire Department)—which is subject to GASB 54 reporting requirements. The District's utility enterprise funds (Water, Sewer, and Garbage) are proprietary funds governed by net position classifications rather than fund balance and are not subject to this policy. This policy applies to the Finance and Administration Manager, the General Manager, and the Board of Directors in their respective roles in classifying, committing, assigning, and expending fund balance.

POLICY

A. Fund Balance Components

Fund balance is the difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources reported in a governmental fund. GASB 54 establishes five components of fund balance, each identifying the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent:

Non-Spendable Fund Balance

The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Items not in spendable form include prepaid items, accounts receivable, inventories, and the long-term portion of loans or notes receivable.

Restricted Fund Balance

The restricted fund balance classification includes amounts subject to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Examples include mitigation fees to be used toward capital improvements and 115 trust contributions.

Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Directors—the highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes or changes the commitment by formal Board action (resolution). Board action to commit fund balance must occur within the fiscal reporting period, though the specific amount may be determined subsequently. Fire Department committed funds designated by Board resolution are typically used for asset replacement and capital projects.

Assigned Fund Balance

The assigned fund balance classification includes amounts constrained by the District's intent to be used for specific purposes, but that are neither restricted nor committed. Such intent is established by the Board of Directors, the General Manager, or the Finance Manager if expressly delegated that authority by the Board.

Unassigned Fund Balance

The unassigned fund balance classification includes amounts that do not fall into any of the above four categories. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The General Fund is the only governmental fund that may report a positive unassigned fund balance.

B. Authority to Commit and Assign Fund Balance

Commitments of fund balance require formal action by the Board, typically through adoption of a resolution, prior to the end of the fiscal reporting period. The resolution or formal action must identify the specific purpose of the commitment; however, the exact dollar amount may be determined subsequent to fiscal year-end as part of the preparation of the District's financial statements. Commitments may only be modified or rescinded through the same level of formal Board action used to establish the commitment.

C. Stabilization Arrangements

The District may formally set aside unrestricted fund balance amounts for use in emergencies, revenue shortfalls, or budget imbalances, as permitted under GASB 54. Such stabilization arrangements shall be established by Board resolution and reported in the General Fund as either restricted or committed fund balance, as appropriate. The notes to the District's financial statements shall disclose the authority for the arrangement, conditions under which amounts may be spent, and the year-end balance.

D. Hierarchy of Fund Balance Expenditure

When expenditure is incurred for which both restricted and unrestricted fund balance is available, restricted fund balance shall be spent first. When expenditure is incurred for purposes for which any of the unrestricted classifications of fund balance could be used, the District shall consider fund balance depleted in the following order:

- Committed amounts first
- Assigned amounts second
- Unassigned amounts last

This spending hierarchy shall be applied consistently in all financial reporting periods and shall be disclosed in the notes to the District's financial statements.

TRANSPARENCY AND REPORTING

The District is committed to accurate and accessible fund balance reporting:

- ACFR Disclosure – Fund balance classifications shall be reported in the District's Annual Comprehensive Financial Report in accordance with GAAP and GASB 54, with full disclosure in the notes to the financial statements of the nature and purpose of each classification.
- Board Reporting – Fund balance by classification shall be included in periodic financial reports to the Board and summarized at year-end alongside the ACFR presentation.
- Policy Review – This policy shall be reviewed periodically and updated as necessary.

(Adopted 05-26-2026)