

Town of Yountville Fund Balance Policy

Background

The Governmental Accounting Standards Board (GASB) issued Statement No.54 Fund Balance Reporting and Governmental Fund Type Definitions in February 2009. The requirements of this statement are intended to improve financial reporting by providing five fund balance categories that will be more easily understood. The five fund balance categories are clearly defined to make the nature and extent of the constraints placed on a government's fund balance more transparent. GASB 54 requires a formal fund balance policy be adopted to fully define any constraints imposed upon the use of resources and how those constraints may be modified or eliminated. The Town implemented GASB 54 in fiscal year ending June 30, 2011.

Purpose

The Town of Yountville's fund balance policy defines the five fund balance categories established by GASB and how the Town will report each of the categories. The policy is establishing the Town's formal commitment of a specific amount of the Town's fund balance to be set aside specifically for emergency contingencies defined as a state or federal emergency or declaration of a local emergency as defined in the Yountville Municipal Code Section 2.52.020. This amount and/or commitment may be changed with the adoption of a new fund balance policy resolution approved by the Town Council. This policy also provides definitions of other categories of fund balance for financial reporting and budgeting purposes. The policy authorizes and directs the Finance Director to prepare financial statements which accurately categorize fund balance per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Definitions & Provisions

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure accurate reporting of available resources and that there will be adequate financial resources to protect the Town against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures.

Fund balance is essentially the difference between the assets and liabilities reported in each governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Town is bound to honor constraints on the specific purposes for which amounts can be spent.

- Non-spendable Fund Balance (inherently non-spendable)
- Restricted Fund Balance (externally enforceable limitations on use)
- Committed Fund Balance (self-imposed limitations on use)
- Assigned Fund Balance (limitation resulting from intended use)
- Unassigned Fund Balance (residual net resources)

Non-spendable fund balance is not specifically addressed in this policy due to the nature of the restriction. An example of non-spendable fund balance is a reserve for prepaid expense.

Restricted Fund Balance

PEG Fees

The Public Educational and Government Access Fund (PEG) has a restricted fund balance for PEG Fees, derived from a 1% charge that the Town's cable franchise operator collects and remits to the Town. PEG Fees can only be used to cover capital expenses for public access television, and are prohibited from being used for operating expenses.

Committed Fund Balance

Emergency Reserve Fund

The Town's General Fund balance committed for emergency reserves is established at a minimum of 20% of General Fund operating expenditures. The calculation and review of the 20% minimum will be part of the proposed budget each fiscal year. Use of the General Fund Emergency Reserve would be appropriate if the Town declared a state or federal emergency or declaration of a local emergency as defined in the Yountville Municipal Code Section 2.52.020:

2.52.020 Emergency defined:

As used in this chapter, "emergency" means the actual or threatened existence of conditions of disaster or of extreme peril to the safety of persons and property within the Town caused by such conditions as air pollution, fire, flood, storm, epidemic, riot or earthquake, or other conditions, including conditions resulting from a labor controversy, which conditions are or are likely to be beyond the control of the services, personnel, equipment and facilities of the Town, requiring the combined forces of other political subdivisions to combat. (Ord. 225, 1991; Ord. 294-99)

OPEB Reserve Fund

The Town Council has made a commitment to funding OPEB (other post-employment benefits) and has established an IRC Section 115 Irrevocable Trust Fund to deposit these funds. There may, however, be a time when the Town is holding funds pending transfer to the OPEB Trust and those funds would be reported as the Town's OPEB Reserve.

PERS Unfunded Actuarially Accrued Liability (UAAL) Fund

The Town Council has made a commitment to funding PERS UAAL and has established a Pension Rate Stabilization Plan IRC Section 115 Irrevocable Trust Fund to deposit these funds. There may, however, be a time when the Town is holding funds pending transfer to the PERS UAAL Trust and those funds would be reported as the Town's PERS UAAL Reserve.

Liability Insurance Reserve

The Town is a member of CIRA (California Intergovernmental Risk Authority) for purposes of liability and claims coverage. The Town's self-insured retention for claims is \$10,000 per occurrence and our policy coverage requires a minimum reserve balance for three (3) claims or \$30,000. The Town may report a higher balance, but will always maintain the required \$30,000 minimum.

Assigned Fund Balance

Amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Both committed and assigned fund balance classifications include amounts constrained to being used for specific purposes by actions taken by the government itself. The nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with regard to the committed fund balance classification, resulting in the constraints imposed being more easily removed or modified than those imposed on committed fund balance. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as those in the committed fund balance classification and the authority is not required to be the government's highest level of decision making authority, but may be delegated to the Town Manager or Finance Director.

All remaining fund balance amounts that are reported in governmental funds, other than the general fund, that are not classified as non-spendable, and are neither restricted nor committed will be reported as assigned fund balance.

Arts Program Reserve

The Yountville Arts Commission has been successful in raising funds to support the Town's Art Program activities. The Arts Program was previously accounted for in the General Fund, but has been moved to the Town of Yountville Community Foundation as of fiscal Year 2018-19.

Capital Projects Reserve

The Town Council may assign a specific amount or percentage of unassigned fund balance at the end of the fiscal year to be transferred or reserved for transfer to the Town's Capital Projects Fund.

Budget Contingency Reserve

The Town Council may assign a specific amount to be reserved for future appropriations to fund unanticipated costs or revenue shortfalls that were not anticipated at the adoption of the Town's operating budget. As of December 4, 2018, this amount has been established at 5% of planned expenditures.

Leave Buy Out Reserve

The Town Council may assign a specific amount to be reserved for future appropriations to fund unanticipated costs related to covering costs of employees retiring and or separating from the Town to cover funding the cost of accrued leave (management and vacation leaves). The assigned amount for Fiscal Year 2023/24 is \$160,000.

Legal Contingency Reserve

The Town Council may assign a specific amount to be reserved for future appropriations to fund unanticipated legal and litigation costs. As of July 1, 2020, this amount has been established at \$200,000.

Unanticipated Tourism Revenue Deficit Reserve Fund (*previously titled Revenue Stabilization Reserve Fund. Re-titled upon adoption of Fiscal Year 2023/2024 Budget per external auditor recommendation to better comply with Governmental Accounting Standards Board (GASB) definitions of reserve funds.*)

Funds set aside to ensure the Town could respond to an unexpected drop in tourism based revenue, especially Transient Occupancy Tax (TOT). Unanticipated Tourism Revenue Deficit Reserve funding is established at a minimum of 25% of TOT revenue budget.

By approving specific assigned amounts or percentage allocations of unassigned fund balance as part of budget adoption, the Town Council would authorize Finance Director to report specific assigned amount on financial statements.

Unassigned Fund Balance

Fund balance that has no current assignment or commitment.