1. PURPOSE:

The purpose of this policy is to:

Classify current fund balance categories to be accordance with the new fund balance classifications contained in the reporting requirements of Statement 54 of the Government Accounting Standards Board (GASB) effective June 15, 2010. The guidelines for adoption are consistent with the First 5 Financial Management Guide and establish who has the authority to commit or assign fund balances.

It is recommended First 5 LA establish a policy for its fund balances in accordance with GASB 54. The elements of the policy are created by the Commission for its own purposes and may, therefore, be revised by the Commission as needed in the future.

2. STATEMENT OF POLICY:

This policy sets forth the following in compliance with GASB 54:

The authorization level for committing or assigning Fund Balance is established by the Board of Commissioners. Formal action of the Commission will be defined as an action taken at a publicly noticed meeting.

The following classifications of Fund Balance are established in conformance with GASB 54.

a. Nonspendable fund balance
b. Restricted fund balance
c. Committed fund balance
d. Assigned fund balance
e. Unassigned fund balance

3. DEFINITIONS AND REPORTING:

**Fund Balance** - All financial assets less liabilities normally expected to be liquidated with current financial resources. The following are categories of fund balance:

a. **Nonspendable**
   Portion of net resources that cannot be spent because they are not in an expendable form (e.g. Prepaid Expense or Fixed Assets).
Portion of net resources that cannot be spent because they must be maintained intact. (e.g. revolving fund or the principal of an endowment.)

b. **Restricted (externally enforceable limitations on use)**
   Amounts constrained to specific purposes by their providers (such as creditors, grantors, contributors, or laws and regulations of other governments (e.g. funds advanced by First 5 CA under specific agreements for services such as matching funds for specific initiatives).

   Amounts constrained by limitations imposed by law through constitutional provisions or enabling legislation (e.g. funds legally restricted by County, state, or federal legislature, or a government’s charter or constitution; or amounts collected from non-spendable items such as long term portion of loan outstanding if those amounts are subject to legal constraint).

c. **Committed (self-imposed limitations in place prior to end of the period)**
   Amounts constrained by limitations imposed at the highest level of decision making that require the same formal action at the same level to remove or modify.

   Resources in this category may include:

   1) Resources committed for a specific purpose and/or future initiatives.
   2) Funding that has been designated for legally enforceable contracts but not yet spent (includes multi-year contracts).
   3) Resources that have been committed by a Commission for specific agreements that have not yet been executed.
   4) Resources committed as a local match for State Commission initiatives, programs or projects within the approved long range financial plan, funding recommendations, or the strategic plan.
   5) Minimum fund balance reserves.

d. **Assigned (limitation resulting from intended use)**
   Amounts or limitations that are constrained by the Commission’s intent to be used for a specific purpose (the purpose of the assignment must be narrower than the fund itself). The commission may also designate a body/committee or an official who can specify such purposes.

   Resources in this category may include:

   1) Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year's budget.
   2) Resources assigned to a specific program, project or organization for which the Commission has approved a plan or budget.
   3) Resources approved by the Commission for a long range financial plan (where formal approval is not required to modify the amount).
Comparison: Committed vs. Assigned

<table>
<thead>
<tr>
<th>A decision to use funds for a specific purpose requires action of governing body</th>
<th>Committed</th>
<th>Assigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Formal action of governing body is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period</th>
<th>Committed</th>
<th>Assigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
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</tbody>
</table>

e. **Unassigned (residual net resources)**

Resources in the fund balance that cannot be reported in any other classification.