

CASTAIC LAKE WATER AGENCY
GOVERNMENTAL FUND BALANCE POLICY
Per Government Accounting Standards Board (GASB) 54 - 2011

Policy

This Governmental Fund Balance Policy establishes the accounting and financial reporting standards for all governments that reports governmental funds as directed by the Government Accounting Standards Board Statement 54.

Government Accounting Standards Board (GASB) Statement 54

In February 2009, the Government Accounting Standards Board published Statement No. 54, which established accounting and financial reporting standards for all governments that report governmental funds. This statement divides the fund balance into five classifications:

1. Nonspendable Fund Balance includes amounts that cannot be spent because they are either (1) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, e.g., inventories and prepaid amounts.
2. Restricted Fund Balance includes amounts that have constraints that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislations.
3. Committed Fund Balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority.
4. Assigned Fund Balance includes amounts that are constrained by the government’s “intent” to be used for specific purposes, but are neither restricted nor committed except for stabilization arrangements. Intent should be expressed by (1) the governing body itself or (2) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
5. Unassigned Fund Balance is the residual classification for the general fund. This classification represents the fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

In addition to the new five fund balance classifications, GASB 54 also makes clear the definition of special revenue – for financial reporting purposes, a special revenue fund may only be established around one or more revenue sources that are restricted or committed to purposes other than capital projects or debt service.

Compliance with GASB 54

Based on the GASB 54 statement discussion above, staff proposes the following changes:

Governmental Funds

The Agency will have five (instead of four) major governmental funds grouped into four (instead of three) governmental fund types. The four governmental fund types are: (1) a general fund to account for and report all financial resources not accounted for and reported in another fund, (2) special revenue fund to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects, (3) a capital projects fund to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets and (4) a debt service fund to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The Agency will have the following major governmental funds starting with Fiscal Year 2010/11 reporting:

1. General Fund – no change
2. Pledged Revenue Fund (special revenue fund) – debt proceeds from this fund will be move to new Capital Project Fund
3. Capital Projects Fund – to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets
4. State Water Contract Fund (special revenue fund) – no change
5. Certificates of Participation Fund – no change

Fund Balance Classifications

1. The Nonspendable Fund Balance accounts for fund balances that are not in “spendable” form, such as inventories and prepaid amounts.
2. The Restricted Fund Balance accounts for fund balances that are restricted by debt covenants and laws.
3. The Committed Fund Balance accounts for fund balances that are committed for specific purposes by formal action of the Board of Directors of the Agency.
4. The Assigned Fund Balance accounts for fund balances that are constrained by the Agency’s “intent” to be used for specific purposes, but are neither restricted nor committed except for stabilization arrangements. Intent should be expressed by the

Board of Directors of the Agency itself or a subordinate high-level body (a finance and administration committee, for example) or official to which the board has delegated the authority to assign amounts to be used for specific purposes.

- The Unassigned Fund Balance accounts for fund balances that have not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes.

Summary

The two tables below summarize the fund balance categories and classifications currently (before GASB 54) and proposed (after GASB 54).

Before GASB 54

	General Fund	Special Revenue Fund		Debt Service Fund
		Pledged Revenue	State Water Contract	Certificates of Participation
Fund Balance:				
Reserved	X	X	X	X
Unreserved	X	N/A	N/A	N/A

After GASB 54

	General Fund	Special Revenue Fund		Debt Service Fund	Capital Projects Fund
		Pledged Revenue	State Water Contract	Certificates of Participation	
Fund Balance:					
Nonspendable	X	X	X	N/A	X
Restricted	X	X	X	X	X
Committed	X	X	N/A	N/A	N/A
Assigned	X	X	N/A	X	X
Unassigned	X	X	N/A	N/A	N/A

2010

2010	<p>Service area population is 286,750 and includes 69,700 retail connections.</p>
	<p>Santa Clarita Water Division serves 28,700 connections.</p> <p>Agency School Education Program wins the Communitas Award for Education from the Association of Marketing and Communication Professionals.</p>
2011	<p>Agency maximizes participation in all of its water banking programs, and has over 149,000 AF of banked water.</p> <p>Agency completes construction of the Rio Vista Water Treatment Plant expansion (66 million gallons per day total capacity).</p> <p>Agency obtains permit from Department of Public Health for perchlorate treatment system and begins delivering treated water from Saugus 1 and 2 wells.</p> <p>Agency and local water retailers issue the 2010 Urban Water Management Plan.</p> <p>Agency uses “Constant Contact” to distribute <i>Water Currents</i>, its monthly newsletter, via email.</p> <p>Agency and local water retailers implement four water conservation programs – Commercial and Industrial Water Audit, Residential Landscape, Large Landscape Rebate and High Efficiency Toilet Rebate.</p>