

County Fiscal Health & Stability

Restricted Funds

By

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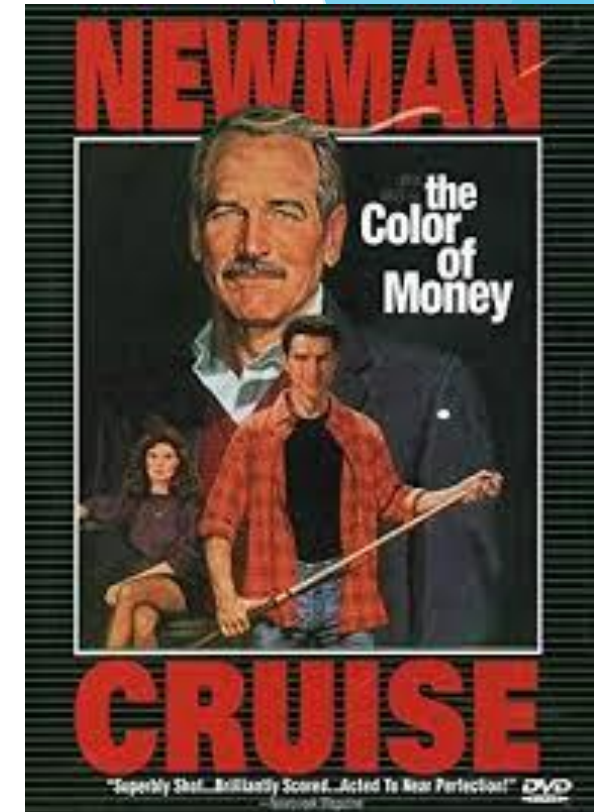
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Discussion Flow

- ▶ What are Restricted Funds?
- ▶ Fund Accounting - Governance of Restricted Funds
- ▶ Types of Funds Used in Governmental Fund Accounting & Budgeting
- ▶ Restricted Revenues and Funding Sources
- ▶ Restricted Funds and Financial Reporting
- ▶ The Five Components of Fund Balance

Have You Seen This Classic Movie?



- ▶ This 1986 film starred Paul Newman and Tom Cruise
- ▶ What is the title of this film?

How Does the Color of Money Relate to County Finances?



The “Color Of Money” refers to different categories of budget dollars and the specific uses (restrictions) on which they may be spent.

US Airforce Website

What are Restricted Funds?

- ▶ “Restricted Funds” - general term for financial resources that a government can spend for specific purposes only.
 - ▶ By Accounting Requirements:
 - ▶ Resources that are restricted by type of Fund.
 - ▶ Resources constrained within a Fund or its fund balance.
 - ▶ By Revenue Type:
 - ▶ Revenues limited to specific spending authority and purpose.
 - ▶ By Budget Expenditure Category:
 - ▶ Salaries and Benefits
 - ▶ Services and Supplies
 - ▶ Capital Outlay
 - ▶ Debt Service



What is Fund Accounting?

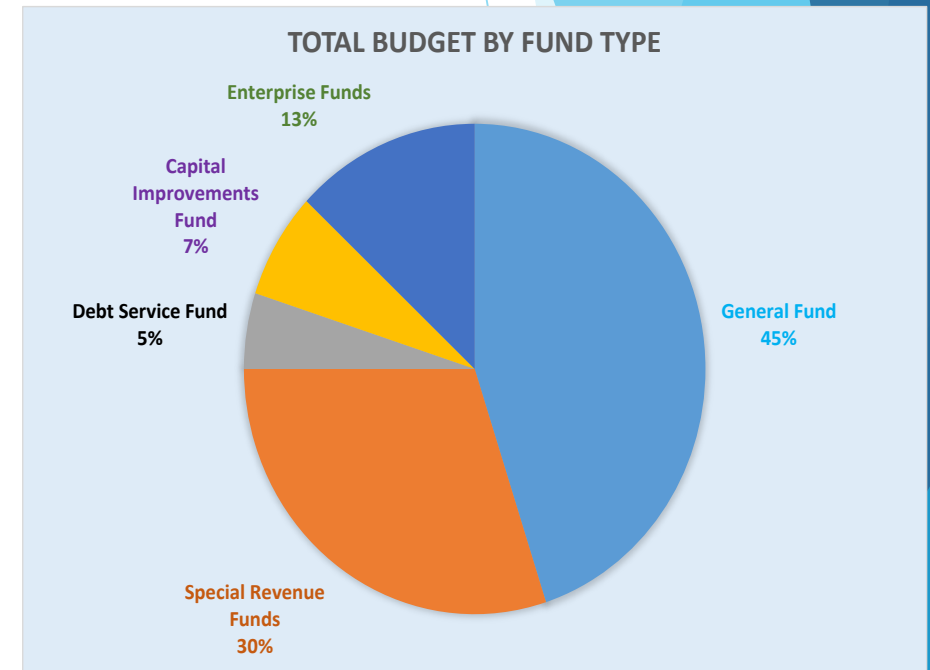
- ▶ Governments are required to use *Fund Accounting*
- ▶ Fund Accounting is Governed by the Governmental Accounting Standards Board (GASB)
- ▶ Each “Fund” contains a Self Balancing Group of Accounts
 - a) Each fund has a stand alone balance sheet and income statement
 - b) Each fund is reported separately in the financial statements
 - c) Funds are also aggregated and reported by fund type in the financial statements



Types of Funds Used In Governmental Fund Accounting & Budgeting

GOVERNMENTAL FUNDS:

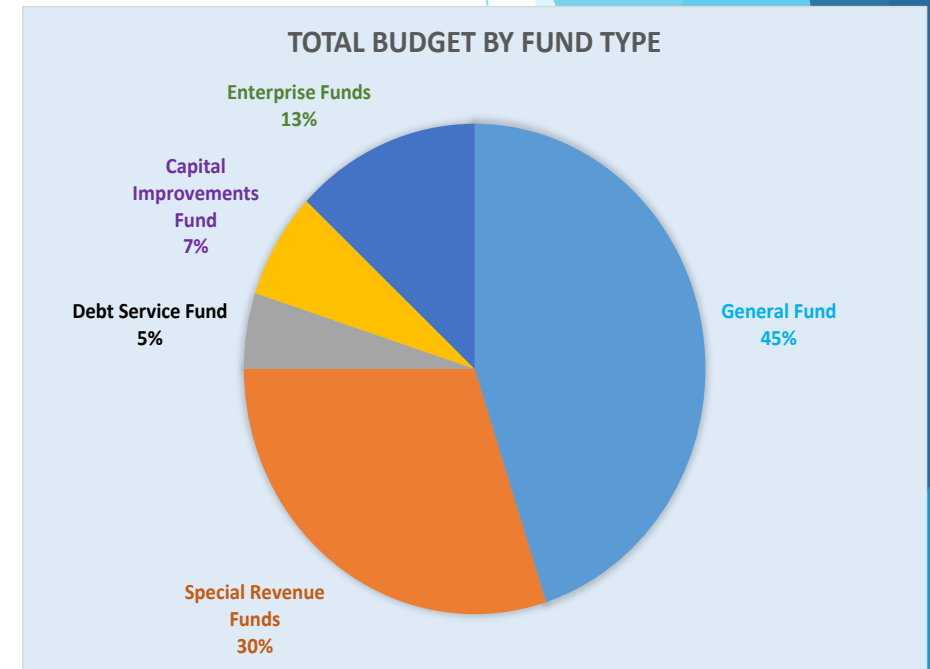
- ▶ **General Fund** -General operating fund, used to account for all financial resources not accounted for in another fund.
- ▶ **Special Revenue Funds** - Used to account for the proceeds of specific revenue sources that can be spent only for specific purposes, other than debt service or capital projects.
 - ▶ Examples: Child Protective Services Fund, Senior Services Fund, Animal Services Fund, Roads Fund).
- ▶ **Capital Improvement Funds** - Used to account for financial resources that can be spent for capital projects.
 - ▶ Examples: construction of government facilities, infrastructure, roads, purchase of major capital assets
- ▶ **Debt Service Funds** - Used to account for financial resources that can be used only to pay annual debt payments, and for resources being accumulated to pay principal and interest maturing in future years.



Types of Funds Used In Governmental Accounting & Budgeting

PROPRIETARY FUNDS:

- ▶ **Enterprise Funds** - Used to account for programs or services operated similar to a private business in which users of the services pay for the cost through user charges.
 - ▶ Examples: water, sewer and storm-water utilities
- ▶ **Internal Service Funds** - Used to account for operations that provide services to other departments or agencies within the County or other governments on a reimbursable basis.
 - ▶ Examples: equipment services, health benefits, risk management
- ▶ **Fiduciary Funds** - Used to account for assets held in a trustee or agency capacity and cannot be used to support a County's own programs.
 - ▶ Examples: Public Guardian/Administrator trust funds, inmate funds, assets held for other agencies (special assessment districts). Fiduciary funds are not included in the County's budget.



Restricted Revenues & Funding Sources

- ▶ Grants (for specific purposes, such as senior nutrition)
- ▶ Certain Components of Property Tax Rate
 - ▶ Regional animal services, Library Expansion, Indigent Services
- ▶ Other Taxes (voter approved or created by legislative action)
 - ▶ Infrastructure Sales Tax, Capital Improvements Tax, Parks Capital Tax, Fuel Tax, Indigent Services Tax, Senior Services Tax
- ▶ Revenues dedicated for debt service repayment
- ▶ Special Assessments
 - ▶ Special Assessment Districts, General Improvement Districts, Sewer and Water Districts
- ▶ Fees and Service Charges
 - ▶ Utility Fees, Technology Charges, 911 Fees
- ▶ Fines and Forfeitures
 - ▶ Court Fees, Law Enforcement Forfeitures
- ▶ Connection Charges and Developer Contributions
- ▶ Donations (often for a specific purpose, e.g.. Library books)



Restricted Funds and Financial Reporting

- ▶ GASB Statement No. 54, governs the financial reporting of restricted funds.
 - a) Implemented was required for financial reporting periods after June 15, 2010
 - b) Established fund balance classifications for Governmental Funds, a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in Governmental Fund types.
 - c) Enterprise Funds and Internal Services funds report fund balance in terms of net position and fund equity.



The Five Components of Fund Balance

- ▶ **#1 Non-spendable** -cannot be spent because it is either in not spendable form (inventories, real property, receivables), or legally or contractually required to be maintained intact.
- ▶ **#2 Restricted** -limitations imposed by external creditors, grantors, contributors, laws or regulations of other governments, debt service covenants, or imposed by law through constitutional provisions or enabling legislation.
- ▶ **#3 Committed** -can be spent only for specific purposes determined by a formal action of the government's highest level of decision making (Board, Commission, Council) such as contractual obligations.
- ▶ **#4 Assigned** -constrained by government intent for specific purposes, that do not meet the criteria of being "restricted" or "committed". Governing body, or a other body to which the governing body has delegated the authority to assign amounts for specific purposes (eg. Budget or Finance committee)



The Five Components of Fund Balance

- ▶ **#5 Unassigned** - amount of fund balance that:
 - a) Has not been assigned to other funds
 - b) Excludes non-spendable, restricted, committed, and assigned to specific purposes
 - c) The adequate level of unrestricted fund balance should take into account regulatory requirements and each government's own unique circumstances:
 - ▶ NRS requires a minimum of 4% of General Fund budgeted operating expenses, or two weeks.
 - ▶ The Government Finance Officer's Association recommends a minimum of 2 months, or 16.7%.



Components of Fund Balance - On the Balance Sheet

COUNTY			
GOVERNMENTAL FUNDS			
BALANCE SHEET, JUNE 30 _____			
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Investments	\$ 18,000,000	30,000,000	\$ 48,000,000
Accounts Receivable	1,700,000	280,000	1,980,000
Taxes Receivable	8,000,000	12,950,000	20,950,000
Interest Receivable	420,500	687,000	1,107,500
Deposits and pre-paid items	50,000	16,950	66,950
Total Assets	28,170,500	43,933,950	72,104,450
Liabilities			
Accounts Payable	2,500,000	5,385,000	7,885,000
Accrued Salaries and Benefits	3,000,000	4,980,000	7,980,000
Other Liabilities	1,750,000	2,225,000	3,975,000
Total Liabilities	7,250,000	12,590,000	19,840,000
Fund Balances			
Non-spendable	500,000	150,000	650,000
Restricted	2,500,000	30,545,000	33,045,000
Committed	220,000	388,950	608,950
Assigned	1,375,000	260,000	1,635,000
Unassigned	16,325,500	-	16,325,500
Total Fund Balances	20,920,500	31,343,950	52,264,450
Total Liabilities and Fund Balances	\$ 28,170,500	\$ 43,933,950	\$ 72,104,450



Restricted Funds Re-cap

- ▶ “Restricted Funds” are financial resources that a government can spend for **specific purposes only**.
 - ▶ Resources are restricted by type of Fund
 - ▶ Revenue streams limited to specific spending authority and purpose.
 - ▶ Expenditures budgeted by category
 - ▶ Resources constrained within a Fund or its fund balance.



Questions?

