RIVERSIDE COUNTY CHILDREN AND FAMILIES COMMISSION
FUND BALANCE AND RESERVE POLICY

PURPOSE:

The Riverside County Children and Families Commission (the Commission) considers it prudent to establish a policy for its fund balances. The Fund Balance & Reserve Policy will assist with effective development of annual budgets and promote clear communications regarding composition of the fund balance with the general public, staff, and administration. 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.

The purpose of this policy is to:

1. Establish who has the authority to commit or assign fund balance.

2. Ensure compliance with fund balance classifications contained in the reporting requirements of Statement 54 of the Governmental Accounting Standards Board (GASB) effective June 15, 2010.

3. Establish and maintain a committed fund balance and criteria for setting an acceptable level of reserves in the fund balance.

STATEMENT OF POLICY:

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

1. The authorization level for committing or assigning fund balance is the Riverside County Children and Families Commission (the Commission).

    a. Formal action of the Commission will be defined as an action taken at a publicly noticed First 5 Riverside County Commission meeting as defined in the current Commission Bylaws.

2. The following classifications of Fund Balance are established in conformance with GASB 54 and definitions are outlined in the First 5 Financial Management Guide updated December 2015.

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

3. It is the policy of the Commission to establish and set reserves at $10,000,000. The following reserves will be maintained in fund balance for the long-term commitment reserve:

   a. Minimum Fund Balance Reserve (MFBR) (working capital) - The Commission shall set a minimum fund balance to equal annually $4,000,000. The operating capital is maintained to guard against inadequate resources for cash flow and to mitigate short-term effects of net deficits or delays in receiving anticipated revenues. A minimum fund balance is necessary to enable the Commission to deal with unforeseen emergencies or changes in financial condition as deemed necessary by the Commission to maintain services. The reserve will be replenished as soon as economic conditions allow. This reserve should be reported and identified as MFBR in the "unassigned" category.

   b. Budgetary stabilization – Set a reserve to equal annually $6,000,000. Should revenue fall 10% below budget during a given fiscal year, this reserve may be used to maintain services at the same level as was contracted. This reserve will ensure sufficient levels of fund balance to meet Commission obligations in the event of revenue budgetary shortfalls. This reserve should be reported in the "committed" category.

   c. Additional restricted, committed, and/or assigned fund balance reserves will be created as determined necessary and appropriate by the First 5 Riverside Commission, consistent with GASB 54.