

TRANSMITTAL LETTER FOR SPECIAL MEETING OF DECEMBER 9, 2010

COMMITTEE ON FINANCE

Mr. Richard Lanyon, Executive Director

..Title

Report on the new fund balance classifications policy in accordance with the Governmental Accounting Standards Board Statement No. 54

..Body

Dear Sir:

In February, 2009 the Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This standard has not changed the total amount reported as fund balance, but has substantially changed the categories used to describe its components.

Before 2009, fund balance was comprised of Reserved and Unreserved Fund Balance. Reserved fund balance included resources that could never be spent, could not be spent at the present time or could not be spent due to external limitations. Unreserved was broken up between designated, with an imposed limitation, or undesignated, with no internal or external limitation.

The new categories of fund balance as defined by GASB 54 include Nonspendable, Restricted, Committed, Assigned and Unassigned and are described as follows:

Nonspendable Fund Balances

Amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. An example would be assets that will never convert to cash, such as inventory.

Restricted Fund Balances

Reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Examples of the two types of restrictions:

- Restricted by external parties - The bond covenants restrict levy proceeds to retire the District's indebtedness according to the bond repayment schedule. The real estate escrow accounts are also restricted as the District retains funds on behalf of external parties.
- Restricted by enabling legislation - 70 ILCS 2605/12 restricts amounts for the payment of claims, awards, losses, judgments or liabilities which might be imposed against the District.

Committed Fund Balances

Consists of amounts that are self-imposed limitations set in place prior to the end of the period. Limitations imposed at highest level of decision making (the Board of Commissioners) that requires formal action to impose and to remove. This would include any legislative action constraining or limiting fund balance by the Board.

Assigned Fund Balances

Consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assignment can occur after the reporting period and the authority may be designated by the Board of Commissioners to the Executive Director. An example would be the possible assignment of interest earned from one fund to another fund in need.

Unassigned Fund Balances

Is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

Requested, Jacqueline Torres, Clerk/Director of Finance, JT:LT:mmv

Respectfully Submitted, Cynthia Santos, Chairman Committee on Finance

Disposition of this agenda item will be documented in the official Special Meeting Minutes of the Board of Commissioners for December 9, 2010