

---

---

## MEMORANDUM TO COUNCIL

---

---

To: Mayor and City Council Members  
From: Patricia Soule, Finance Director  
Through: William Homka, City Manager  
Date: May 14, 2024  
Re: Proprietary Fund Balance

---

---

**SUMMARY:** Attached for City Council review is the draft balance sheets for the Proprietary Funds. I have also attached a summary of the two key accounts in each draft Balance Sheet, the Cash in the fund (Equity in Central Treasury) and the Unrestricted Fund Balance (Net Assets) in the fund. There is also a full description of what Unrestricted Fund Balance (Net Assets) means.

**PREVIOUS COUNCIL ACTION:** City Council requested information on the fund balance in the proprietary funds before they took action on the CMMP request.

**BACKGROUND:** The Balance Sheets are not final as we are still in the audit for 2023 and there are entries that will be made to change the final numbers. Until all entries are made the Balance Sheets are considered in Draft form.

Equity in Central Treasury is the combination of citywide cash and investments and segregated into each fund. That is reconciled monthly and is only in draft form until all entries from the audit are input into the system and the audit is finalized.

**DISCUSSION:** The attached information should provide Council with the necessary information to make a decision on the CMMP requests.

**STAFF RECOMMENDATION:** No recommendation.

**PROPOSED MOTION:** Not applicable.

**CITY MANAGER COMMENTS:** No action requested at this time.

**ATTACHMENTS:** Summary sheet to the Proprietary Balance Sheets, the Proprietary Balance Sheets as of 4.2024, and memo defining “Unrestricted Fund Balance”.

Proprietary Fund

Draft 4/24 Balance Sheet

Equity in Central Treasury      Unrestricted - Fund Balance

	Equity in Central Treasury	Unrestricted - Fund Balance
Electric	14,059,416.67	46,470,293.11
Water	4,233,776.46	20,322,871.44
WasteWater	4,344,919.91	30,692,286.17
Solid Waste	9,791,251.91	13,799,030.67
Ports & Harbors	1,463,312.00	72,800,379.87
Airport	1,589,460.20	3,157,674.60
Housing	312,132.23	3,504,430.96

Equity in Central Treasury -Funds portion of the Citywide Cash & Investments

Unrestricted Fund Balance - represents the amount of net assets that is not restricted or investing in capital assets, net of related debt

BALANCE SHEET FOR 2024 10

FUND: 5000 Electric			NET CHANGE FOR PERIOD	ACCOUNT BALANCE
<b>ASSETS</b>				
5000	11500	General Rec	341,032.91	1,893,739.94
5000	12210	Allow - Accts Rec Del	.00	-10,000.00
5000	12620	State of AK - PCE Rec	-75,994.28	.00
5000	13100	Equity in Central Treasury	-157,320.61	14,059,416.67
5000	14100	Inventory - Material/Supplies	21,910.21	1,352,663.78
5000	14130	Inventory - Power House	.00	584,358.29
5000	14300	Prepaid Expenses	.00	700.00
5000	14803	Restricted Assets-PH Debt Svc	.00	2,384,783.10
5000	16100	Land	.00	212,598.00
5000	16200	Buildings	.00	36,897,750.98
5000	16210	Accum Depreciation - Bldg	-73,014.04	-13,401,140.43
5000	16300	Improvements & Infrastructure	.00	16,587,676.67
5000	16310	Accum Depr - Imp & Infr	-44,391.00	-11,348,349.95
5000	16400	Machinery & equipment	.00	34,825,310.73
5000	16410	Accum Depr - Mach & Equip	-145,374.37	-20,228,295.49
5000	17700	Deferred Pension Assets	.00	277,400.00
5000	17701	OPEB Deferred outflows	.00	42,354.00
TOTAL ASSETS			-133,151.18	64,130,966.29
<b>LIABILITIES</b>				
5000	20200	Accounts Payable - General	.00	514,961.16
5000	20300	Personal Leave	.00	-144,062.83
5000	20301	Floating Holidays	.00	-30,929.38
5000	20310	Accrued Payroll	.00	-91,606.56
5000	20330	AES - withheld and match	3,405.05	-1,691.31
5000	21400	Accrued Interest Payable	.00	-192,732.00
5000	22530	Revenue Bonds - Cur	.00	1,380,000.00
5000	22531	Unamortized Premium(Rev Bonds)	.00	-139,197.00
5000	22800	Customer Deposits	-200.00	-138,962.72
5000	23000	Advance from other funds - GF	.00	-240,000.00
5000	23130	Revenue Bonds - LT	.00	-18,160,000.00
5000	23131	Unamort Premium - LT	.00	-1,731,120.30
5000	23500	Notes Payable - LT	.00	-1,350,000.00
5000	23700	Pension Obligations - LT	.00	-1,961,876.00
5000	23701	Net OPEB Liability	.00	1,432,769.00
5000	23710	Deferred Pension Liability	.00	-782,353.00
5000	23711	OPEB Deferred Inflows	.00	-773,326.00
5000	24200	Deferred Charge on refunding	.00	1,606,210.36
TOTAL LIABILITIES			3,205.05	-20,803,916.58
<b>FUND BALANCE</b>				
5000	38150	Estimated Revenue	.00	21,902,976.76
5000	38300	Appropriations	.00	-21,912,411.91
5000	38800	Budgetary Fund Bal-Unreserved	.00	9,435.15
5000	39100	Revenue Control	-1,529,446.23	-16,193,917.02
5000	39300	Expenditure Control	1,659,392.36	17,151,872.42
5000	39400	Encumbrance Control	88,240.51	208,987.26
5000	39450	Budgetary Fund Bal-Res for Enc	-88,240.51	-208,987.26
5000	39700	GASB68 Net Position Restatemen	.00	2,185,288.00

**BALANCE SHEET FOR 2024 10**

FUND: 5000 Electric		NET CHANGE	ACCOUNT
		FOR PERIOD	BALANCE
FUND BALANCE			
5000	39800	Net Assets - Unrestricted	.00
			-46,470,293.11
		TOTAL FUND BALANCE	129,946.13
			-43,327,049.71
		TOTAL LIABILITIES + FUND BALANCE	133,151.18
			-68,130,966.29

BALANCE SHEET FOR 2024 10

FUND: 5100 water			NET CHANGE FOR PERIOD	ACCOUNT BALANCE
<b>ASSETS</b>				
5100	11500	General Rec	-42,301.09	238,734.47
5100	11599	Allow - Accounts Receivable	.00	-10,000.00
5100	13100	Equity in Central Treasury	164,496.22	4,233,776.46
5100	14100	Inventory - Material/Supplies	6,517.66	449,008.55
5100	16100	Land	.00	125,074.00
5100	16200	Buildings	.00	16,044,495.72
5100	16210	Accum Depreciation - Bldg	-34,357.43	-3,837,396.21
5100	16300	Improvements & Infrastructure	.00	28,416,574.18
5100	16310	Accum Depr - Imp & Infr	-41,233.70	-23,717,683.00
5100	16400	Machinery & equipment	.00	488,841.16
5100	16410	Accum Depr - Mach & Equip	-3,920.98	-379,588.13
5100	17700	Deferred Pension Assets	.00	126,090.00
5100	17701	OPEB Deferred outflows	.00	19,250.00
TOTAL ASSETS			49,200.68	22,197,177.20
<b>LIABILITIES</b>				
5100	20300	Personal Leave	.00	-37,498.02
5100	20301	Floating Holidays	.00	-7,968.10
5100	20310	Accrued Payroll	.00	-28,679.93
5100	20330	AES - withheld and match	1,563.69	-849.33
5100	21400	Accrued Interest Payable	.00	-37,014.00
5100	22400	Notes Payable - Cur	.00	-179,462.70
5100	22800	Customer Deposits	.00	-21,952.88
5100	23500	Notes Payable - LT	.00	-2,153,552.32
5100	23700	Pension Obligations - LT	.00	-891,761.00
5100	23701	Net OPEB Liability	.00	651,257.00
5100	23710	Deferred Pension Liability	.00	-355,614.00
5100	23711	OPEB Deferred Inflows	.00	-351,510.00
TOTAL LIABILITIES			1,563.69	-3,414,605.28
<b>FUND BALANCE</b>				
5100	38150	Estimated Revenue	.00	4,036,515.00
5100	38300	Appropriations	.00	-4,047,274.54
5100	38800	Budgetary Fund Bal-Unreserved	.00	10,759.54
5100	39100	Revenue Control	-256,548.70	-2,177,280.96
5100	39300	Expenditure Control	205,784.33	2,899,990.48
5100	39400	Encumbrance Control	5,943.71	53,167.03
5100	39450	Budgetary Fund Bal-Res for Enc	-5,943.71	-53,167.03
5100	39700	GASB68 Net Position Restatemen	.00	817,590.00
5100	39800	Net Assets - Unrestricted	.00	-20,322,871.44
TOTAL FUND BALANCE			-50,764.37	-18,782,571.92
TOTAL LIABILITIES + FUND BALANCE			-49,200.68	-22,197,177.20

**BALANCE SHEET FOR 2024 10**

FUND: 5200 Wastewater			NET CHANGE FOR PERIOD	ACCOUNT BALANCE
<b>ASSETS</b>				
5200	11500	General Rec	98,974.57	259,040.17
5200	11599	Allow - Accounts Receivable	.00	-5,000.00
5200	13100	Equity in Central Treasury	7,269.56	4,344,919.91
5200	14100	Inventory - Material/Supplies	.00	24,620.55
5200	16100	Land	.00	12,883.00
5200	16200	Buildings	.00	33,631,703.36
5200	16210	Accum Depreciation - Bldg	-72,898.00	-8,168,114.44
5200	16300	Improvements & Infrastructure	.00	16,904,938.05
5200	16310	Accum Depr - Imp & Infr	-23,012.23	-12,115,992.34
5200	16400	Machinery & equipment	.00	901,776.65
5200	16410	Accum Depr - Mach & Equip	-6,054.67	-446,851.40
5200	17700	Deferred Pension Assets	.00	126,090.00
5200	17701	OPEB Deferred outflows	.00	19,252.00
<b>TOTAL ASSETS</b>			<b>4,279.23</b>	<b>35,489,265.51</b>
<b>LIABILITIES</b>				
5200	20300	Personal Leave	.00	-51,426.38
5200	20301	Floating Holidays	.00	-9,404.19
5200	20310	Accrued Payroll	.00	-25,267.42
5200	20330	AES - withheld and match	1,844.39	-868.15
5200	21400	Accrued Interest Payable	.00	-67,462.00
5200	22400	Notes Payable - Cur	.00	-428,330.00
5200	22800	Customer Deposits	.00	-18,678.44
5200	23500	Notes Payable - LT	.00	-4,711,629.55
5200	23700	Pension Obligations - LT	.00	-891,761.00
5200	23701	Net OPEB Liability	.00	651,259.00
5200	23710	Deferred Pension Liability	.00	-355,614.00
5200	23711	OPEB Deferred Inflows	.00	-351,512.00
<b>TOTAL LIABILITIES</b>			<b>1,844.39</b>	<b>-6,260,694.13</b>
<b>FUND BALANCE</b>				
5200	38150	Estimated Revenue	.00	4,261,279.00
5200	38300	Appropriations	.00	-4,271,520.31
5200	38800	Budgetary Fund Bal-Unreserved	.00	10,241.31
5200	39100	Revenue Control	-331,158.02	-2,433,862.01
5200	39300	Expenditure Control	325,034.40	3,157,359.80
5200	39400	Encumbrance Control	-40,916.44	63,292.32
5200	39450	Budgetary Fund Bal-Res for Enc	40,916.44	-63,292.32
5200	39700	GASB68 Net Position Restatemen	.00	740,217.00
5200	39800	Net Assets - Unrestricted	.00	-30,692,286.17
<b>TOTAL FUND BALANCE</b>			<b>-6,123.62</b>	<b>-29,228,571.38</b>
<b>TOTAL LIABILITIES + FUND BALANCE</b>			<b>-4,279.23</b>	<b>-35,489,265.51</b>

BALANCE SHEET FOR 2024 10

FUND: 5300 Solid waste			NET CHANGE FOR PERIOD	ACCOUNT BALANCE
<b>ASSETS</b>				
5300	11500	General Rec	-36,676.98	253,812.54
5300	11599	Allow - Accounts Receivable	.00	-1,000.00
5300	13100	Equity in Central Treasury	114,125.69	9,791,251.91
5300	14100	Inventory - Material/Supplies	41,280.34	120,020.17
5300	16100	Land	.00	651,474.00
5300	16200	Buildings	.00	3,222,485.51
5300	16210	Accum Depreciation - Bldg	-8,951.35	-2,772,971.38
5300	16300	Improvements & Infrastructure	.00	20,919,988.06
5300	16310	Accum Depr - Imp & Infr	-59,296.22	-8,866,165.25
5300	16400	Machinery & equipment	.00	1,704,668.31
5300	16410	Accum Depr - Mach & Equip	-5,663.06	-1,411,772.51
5300	17700	Deferred Pension Assets	.00	126,090.00
5300	17701	OPEB Deferred outflows	.00	19,252.00
<b>TOTAL ASSETS</b>			<b>44,818.42</b>	<b>23,757,133.36</b>
<b>LIABILITIES</b>				
5300	20300	Personal Leave	.00	-63,882.27
5300	20301	Floating Holidays	.00	-8,183.06
5300	20310	Accrued Payroll	.00	-25,701.40
5300	20330	AES - withheld and match	1,670.23	-934.55
5300	21400	Accrued Interest Payable	.00	-20,338.72
5300	22400	Notes Payable - Cur	.00	-254,231.51
5300	22800	Customer Deposits	.00	-9,687.29
5300	23500	Notes Payable - LT	.00	-2,796,546.58
5300	23700	Pension Obligation - LT	.00	-891,761.00
5300	23701	Net OPEB Liability	.00	651,259.00
5300	23710	Deferred Pension Liability	.00	-355,614.00
5300	23711	OPEB Deferred Inflows	.00	-351,512.00
5300	23800	Accrued Landfill Closure - LT	-25,278.00	-6,459,844.81
<b>TOTAL LIABILITIES</b>			<b>-23,607.77</b>	<b>-10,586,978.19</b>
<b>FUND BALANCE</b>				
5300	38150	Estimated Revenue	.00	4,201,979.00
5300	38300	Appropriations	.00	-4,213,158.12
5300	38800	Budgetary Fund Bal-Unreserved	.00	11,179.12
5300	39100	Revenue Control	-297,351.87	-2,818,819.80
5300	39300	Expenditure Control	276,141.22	2,659,120.30
5300	39400	Encumbrance Control	-8,043.62	64,900.77
5300	39450	Budgetary Fund Bal-Res for Enc	8,043.62	-64,900.77
5300	39700	GASB68 Net Position Restatemen	.00	788,575.00
5300	39800	Net Assets - Unrestricted	.00	-13,799,030.67
<b>TOTAL FUND BALANCE</b>			<b>-21,210.65</b>	<b>-13,170,155.17</b>
<b>TOTAL LIABILITIES + FUND BALANCE</b>			<b>-44,818.42</b>	<b>-23,757,133.36</b>

BALANCE SHEET FOR 2024 10

FUND: 5400 Ports & Harbors			NET CHANGE FOR PERIOD	ACCOUNT BALANCE
<b>ASSETS</b>				
5400	10136	Cash Drawer - Ports	.00	150.00
5400	11500	General Rec	32,655.50	1,165,335.92
5400	11599	Allow - Accounts Receivable	.00	-5,770.05
5400	13100	Equity in Central Treasury	259,060.18	1,463,312.00
5400	14803	Restricted Assets-UMC Debt Svc	.00	2,671,851.57
5400	16100	Land	.00	2,037,870.00
5400	16200	Buildings	.00	1,563,833.71
5400	16210	Accum Depreciation - Bldg	-3,523.84	-673,661.54
5400	16300	Improvements & Infrastructure	.00	146,082,088.99
5400	16310	Accum Depr - Imp & Infr	-345,947.15	-51,158,782.58
5400	16400	Machinery & equipment	.00	984,501.72
5400	16410	Accum Depr - Mach & Equip	-2,927.23	-743,737.84
5400	17000	Other Assets	.00	2,008,096.60
5400	17001	Accumulated Ammortization	.00	-102,804.28
5400	17700	Deferred Pension Assets	.00	201,745.00
5400	17701	OPEB Deferred outflows	.00	30,803.00
<b>TOTAL ASSETS</b>			<b>-60,682.54</b>	<b>105,524,832.22</b>
<b>LIABILITIES</b>				
5400	20300	Personal Leave	.00	-191,016.51
5400	20301	Floating Holidays	.00	-14,985.27
5400	20310	Accrued Payroll	.00	-61,738.45
5400	20330	AES - withheld and match	2,948.11	-1,446.93
5400	20500	Inter Governmental AP	.00	-2,097,012.65
5400	21400	Accrued Interest Payable	.00	-212,288.00
5400	22510	General Obligation Bonds - Cur	.00	-225,000.00
5400	22530	Revenue Bonds - Cur	69,166.67	1,157,500.04
5400	22531	Unamortized Premium(Rev Bonds)	.00	-80,073.14
5400	22600	Capital Leases - Cur	.00	-86,908.00
5400	23110	General Obligation Bonds - LT	.00	-1,910,000.00
5400	23130	Revenue Bonds - LT	.00	-26,700,000.00
5400	23131	Unamort Premium - LT	.00	-1,588,028.73
5400	23600	Capital Leases - LT	.00	-1,835,999.73
5400	23700	Pension Obligations - LT	.00	-1,426,818.00
5400	23701	Net OPEB Liability	.00	1,042,014.00
5400	23710	Deferred Pension Liability	.00	-568,983.00
5400	23711	OPEB Deferred Inflows	.00	-562,419.00
5400	24200	Deferred Charge on refunding	.00	22,746.00
<b>TOTAL LIABILITIES</b>			<b>72,114.78</b>	<b>-35,340,457.37</b>
<b>FUND BALANCE</b>				
5400	38150	Estimated Revenue	.00	11,072,639.00
5400	38300	Appropriations	.00	-11,075,050.94
5400	38800	Budgetary Fund Bal-Unreserved	.00	2,411.94
5400	39100	Revenue Control	-820,990.51	-7,530,398.78
5400	39300	Expenditure Control	809,558.27	8,839,662.80
5400	39400	Encumbrance Control	-37,451.86	127,106.25
5400	39450	Budgetary Fund Bal-Res for Enc	37,451.86	-127,106.25
5400	39700	GASB68 Net Position Restatemen	.00	1,306,741.00



# CITY OF UNALASKA



## BALANCE SHEET FOR 2024 10

FUND: 5400 Ports & Harbors		NET CHANGE FOR PERIOD	ACCOUNT BALANCE
FUND BALANCE			
5400	39800	Net Assets - Unrestricted	.00
			-72,800,379.87
		TOTAL FUND BALANCE	-11,432.24
			-70,184,374.85
		TOTAL LIABILITIES + FUND BALANCE	60,682.54
			-105,524,832.23

BALANCE SHEET FOR 2024 10

FUND: 5500 Airport			NET CHANGE FOR PERIOD	ACCOUNT BALANCE
<b>ASSETS</b>				
5500	11500	General Rec	-47,432.97	32,412.17
5500	11599	Allow - Accounts Receivable	.00	-18,376.79
5500	12700	Lease Receivable	.00	198,757.84
5500	13100	Equity in Central Treasury	53,831.81	1,589,460.20
5500	16200	Buildings	.00	7,909,642.77
5500	16210	Accum Depreciation - Bldg	-7,005.89	-6,725,677.86
5500	16300	Improvements & Infrastructure	.00	1,334,368.87
5500	16310	Accum Depr - Imp & Infr	-2,136.70	-1,126,629.63
5500	17000	Other Assets	.00	26,406.42
5500	17001	Accumulated Ammortization	.00	-11,735.67
5500	17700	Deferred Pension Assets	.00	28,529.12
5500	17701	OPEB Deferred Outflows	.00	3,082.93
<b>TOTAL ASSETS</b>			<b>-2,743.75</b>	<b>3,240,240.37</b>
<b>LIABILITIES</b>				
5500	20310	Accrued Payroll	.00	-11,669.27
5500	20330	AES - withheld and match	499.68	-127.21
5500	20550	Due to State of AK	.00	-3,752.00
5500	22600	Capital Leases - Cur	.00	-11,822.00
5500	22800	Customer Deposits	.00	-12,000.00
5500	23600	Capital Leases - LT	.00	-14,584.42
5500	23700	Pension Obligations - LT	.00	-205,248.44
5500	23701	Net OPEB Liability	.00	152,493.80
5500	23710	Deferred Pension Liability	.00	-74,039.92
5500	23711	OPEB Deferred Inflows	.00	-52,511.01
5500	23712	Lease Deferred Inflows	.00	-185,201.75
<b>TOTAL LIABILITIES</b>			<b>499.68</b>	<b>-418,462.22</b>
<b>FUND BALANCE</b>				
5500	38150	Estimated Revenue	.00	796,990.00
5500	38300	Appropriations	.00	-800,561.29
5500	38800	Budgetary Fund Bal-Unreserved	.00	3,571.29
5500	39100	Revenue Control	-44,399.77	-426,203.62
5500	39300	Expenditure Control	46,643.84	621,187.07
5500	39400	Encumbrance Control	-7,512.20	10,211.77
5500	39450	Budgetary Fund Bal-Res for Enc	7,512.20	-10,211.77
5500	39700	GASB68 Net Position Restatemen	.00	140,913.00
5500	39800	Net Assets - Unrestricted	.00	-3,157,674.60
<b>TOTAL FUND BALANCE</b>			<b>2,244.07</b>	<b>-2,821,778.15</b>
<b>TOTAL LIABILITIES + FUND BALANCE</b>			<b>2,743.75</b>	<b>-3,240,240.37</b>

BALANCE SHEET FOR 2024 10

FUND: 5600 Housing			NET CHANGE FOR PERIOD	ACCOUNT BALANCE
<b>ASSETS</b>				
5600	11510	Refundable Deposits Rec	.00	3,650.00
5600	13100	Equity in Central Treasury	404.46	312,132.23
5600	16100	Land	.00	269,577.38
5600	16200	Buildings	.00	5,716,325.64
5600	16210	Accum Depreciation - Bldg	-16,039.42	-2,672,507.07
5600	16300	Improvements & Infrastructure	.00	96,271.18
5600	16310	Accum Depr - Imp & Infr	-231.03	-42,891.50
5600	17700	Deferred Pension Assets	.00	21,906.88
5600	17701	OPEB Deferred Outflows	.00	4,618.07
TOTAL ASSETS			-15,865.99	3,709,082.81
<b>LIABILITIES</b>				
5600	20310	Accrued Payroll	.00	-9,050.14
5600	20330	AES - withheld and match	240.79	-111.50
5600	22800	Customer Deposits	.00	-22,350.37
5600	23700	Pension Obligations - LT	.00	-151,455.56
5600	23701	Net OPEB Liability	.00	108,009.20
5600	23710	Deferred Pension Liability	.00	-68,206.08
5600	23711	OPEB Deferred Inflows	.00	-88,093.99
TOTAL LIABILITIES			240.79	-231,258.44
<b>FUND BALANCE</b>				
5600	38150	Estimated Revenue	.00	716,659.00
5600	38300	Appropriations	.00	-716,659.00
5600	39100	Revenue Control	-21,014.00	-500,029.48
5600	39300	Expenditure Control	36,639.20	410,490.07
5600	39400	Encumbrance Control	-3,043.66	-7,451.82
5600	39450	Budgetary Fund Bal-Res for Enc	3,043.66	-7,451.82
5600	39700	GASB68 Net Position Restatemen	.00	116,146.00
5600	39800	Net Assets - Unrestricted	.00	-3,504,430.96
TOTAL FUND BALANCE			15,625.20	-3,477,824.37
TOTAL LIABILITIES + FUND BALANCE			15,865.99	-3,709,082.81

## Chapter 5: Financial Reporting — Fund Balance/Net Assets

### Fund Financial Statements

Within governmental funds, equity is reported as fund balance; proprietary and fiduciary fund equity is reported as net assets. Fund balance and net assets are the difference between fund assets and liabilities reflected on the balance sheet or statement of net assets. Because of the current financial resources measurement focus of governmental funds, fund balance is often considered a measure of available expendable financial resources. This is a particularly important measure in the general fund because it reflects the primary functions of the government and includes both state aid and local tax revenues. The relative amount of unreserved fund balance reflected in the general fund is used by rating agencies as a measure of the financial strength of the government. Declines in the amount of unreserved fund balance may signal deterioration in the financial condition of the entity.

Governmental fund balances are categorized as follows:

- reserved; and
- unreserved (designated and undesignated).

### **Reserved Fund Balances**

Reservations of fund balance should be used in governmental financial reporting to identify the portion that is

- not available for appropriation or expenditure (e.g., reserve for inventories, reserve for long-term receivables); and/or
- legally earmarked by external parties or entities for a specific future use (e.g., funds with a legal restriction on the use of assets, such as reserve for encumbrances).

The amount and nature of the reservation of fund balance should be disclosed on the face of the financial statements. The description may need to be supplemented by disclosure in the notes to the financial statements.

Examples of reservations of fund balance are as follows:

- inventories;
- debt service;
- endowments;
- prepaid items;
- outstanding encumbrances;
- construction; and
- federal and state programs (where the funds have met the available criteria, as well as any other provider provisions that may be required, but have not yet been expended).

The aggregate fund balance in the debt service fund is legally reserved for the payment of bonded indebtedness and is not available for other purposes until all bonded indebtedness is liquidated. The fund balance of the capital projects fund reflects an amount designated for construction and major renovation projects, and it usually represents unexpended proceeds from the sale of bonds that

have restricted uses. However, in all instances in which the name of the fund communicates the legal segregation, the fund balance should be reported as unreserved.

### **Unreserved Fund Balances**

Unreserved fund balance is the difference between total and reserved fund balance. It has two components: designated and undesignated. The unreserved fund balance of the general fund represents the balance available for legal appropriation and general operating expenditures.

Prudent financial management requires accumulating a sufficient undesignated, unreserved fund balance in the general fund representing expendable financial resources available to meet the net cash outflows during the fiscal year.

**Designated, Unreserved Fund Balances.** Portions of fund balance may be designated by management to reflect tentative plans or commitments of governmental resources. Designations generally reflect school board action to earmark the balance for purposes that will be fulfilled at a later time, but specific school board action is not required. Designations represent planned actions rather than actual commitments. Because they typically arise from internal actions (management decisions) rather than actions external to the entity (encumbrances), designations are reported as part of unreserved fund balance.

The amount and nature of the designation should be explained in a separate line of the balance sheet, parenthetical comment, or note to the financial statements. Designations may be related to construction or other capital expenditures, claims and judgments, or self-insurance contingencies.

**Undesignated, Unreserved Fund Balances.** Undesignated, unreserved fund balance is the difference between total fund balance and the portion that is reserved and designated. This is the balance available for legal appropriation and expenditure if a government budgets on a GAAP basis for its governmental funds.

Within proprietary and fiduciary fund statements of net assets, net asset balances are classified into the following three components:

- **Invested in capital assets, net of related debt** represents the net amount invested in capital assets (original cost, net of accumulated depreciation, and capital-related debt).
- **Restricted** represents the amount of net assets for which limitations have been placed by creditors, grantors, contributors, laws, and regulations. For example, school districts that account for food services within an enterprise fund may have restrictions related to certain proceeds or commodities imposed by the USDA. Internal actions through enabling legislation (which is legally enforceable) and constitutional provisions may also lead to restricted net assets.
- **Unrestricted** represents the amount of net assets that is not restricted or invested in capital assets, net of related debt.

### **Government-Wide Financial Statements: Statement of Net Assets**

The difference between an entity's assets and liabilities in the statement of net assets represents its net assets. Net assets have the following three components:

- invested in capital assets, net of related debt;
- restricted net assets; and
- unrestricted net assets.

Exhibit 5 defines each component.