

# ROSSMOOR

## COMMUNITY SERVICES DISTRICT



## FINAL BUDGET

### FISCAL YEAR 2010-2011



# *Rossmoor*

## Community Services District



# FINAL BUDGET FISCAL YEAR 2010-2011



*ROSSMOOR COMMUNITY SERVICES DISTRICT*  
*Rossmoor, California*

# **ADOPTED FINAL BUDGET**

## **FISCAL YEAR 2010–2011**

### **BOARD OF DIRECTORS**

**SHANNON HOUGH, PRESIDENT**

**JEFFREY RIPS, 1ST VICE PRESIDENT**

**RONALD CASEY, 2ND VICE PRESIDENT**

**ALFRED COLETTA, DIRECTOR**

**JOEL RATTNER, DIRECTOR**

### **CHIEF ADMINISTRATIVE OFFICER**

**HENRY TABOADA**  
**CONSULTING GENERAL MANAGER**

### **FINANCE ASSISTANT**

**KATHLEEN BELL**  
**ACCOUNTANT/BOOKKEEPER**

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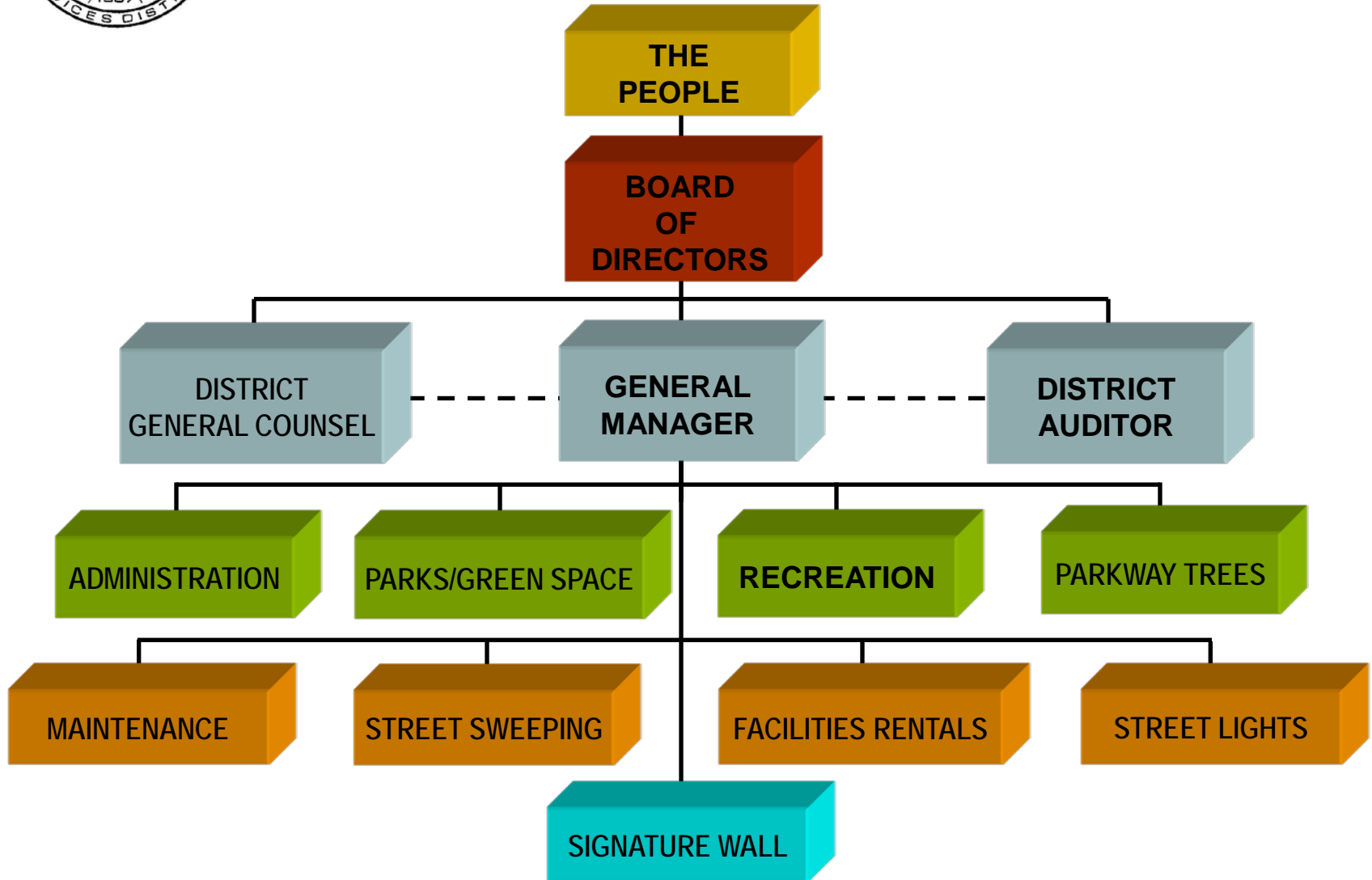
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# Rossmoor Community Services District

## Organization Chart







## ROSSMOOR COMMUNITY SERVICES DISTRICT

### MISSION STATEMENT, GOALS AND OBJECTIVES

**MISSION STATEMENT:** The mission of the Rossmoor Community Services District is to provide parks and recreation services, plant parkway trees and oversee median landscaping, provide for street lighting and street sweeping, act as an intermediary for certain County functions and perform other services consistent with its role as a limited government for residents of Rossmoor and to do so in the most responsive and cost-effective manner.

**GOAL I. Provide for a variety of active and passive recreational opportunities at its facilities in a cost-effective manner, and maintain those facilities in good order.**

**Objective:** Conduct an annual citizen survey in the fourth quarter to determine community desires and suggestions.

**Objective:** Based on survey responses and ongoing citizen input, revise existing programs and develop new programs as appropriate to meet the needs of the community.

**Objective:** Conduct a monthly inspection of all facilities and promptly take corrective action to ensure that they remain safe, sanitary and in good working order.

**Objective:** Oversee private rental of facilities and parks as appropriate and enforce rules so as to minimize cleaning and repair costs imposed on the District and impacts on nearby residents.

**Objective:** Co-sponsor the annual Rossmoor picnic and the July 4 fireworks at JFTB, and conduct three Movies in the Park at Rush Park during the summer.

**Objective:** Regularly monitor maintenance contractor to assure that lawn, trees and plants at all parks are properly watered, trimmed and maintained in a healthy condition and walkways are cleaned.

**Objective:** Monitor all construction and renovation contracts and projects and report status quarterly to the Board.

**GOAL II:**



**Promote a healthy urban forest in Rossmoor**

- Objective:** Plant a diverse population of trees in all locations that are currently vacant and replace trees within sixty days after removal except for removals due to construction.
- Objective:** Manage the current inventory of parkway trees in Rossmoor to keep them properly trimmed so as to be aesthetically pleasing and not hazardous to people or other property.
- Objective:** Promptly report to County all injured or damaged trees and other trees in need of safety trimming and request the County to submit safety trimming lists on a quarterly basis.
- Objective:** Submit aesthetic tree trimming list promptly to contractor monthly and monitor to assess compliance.
- Objective:** Prepare and distribute a quarterly tree report to the Board in accordance with Policy 3080.
- Objective:** Keep computerized tree inventory updated.

**GOAL III:**



**Manage street lighting and street sweeping operations in accordance with Policy 3085 and Southern California Edison requirements.**

- Objective:** Immediately report citizen complaints about street sweeping to the street sweeping contractor and about street lights to SCE.
- Objective:** Regularly obtain data from the Sheriff's Dept. and street sweeping contractor concerning citations issued and vehicles left on the streets on sweeping days and report to the Board quarterly.

**GOAL IV:**



**Respond promptly to County requests for information and act as official conduit to and for the community regarding County services.**

- Objective:** Work with the Orange County Sheriff's Department for the provision of law enforcement services tailored to the needs of the community by meeting with the responsible commander monthly and maintain an office for the Sheriff's deputy at Rush Park to aid in the provision of services in the most responsive manner.
- Objective:** Meet with the Orange County Fire officials semi-annually to promote the dissemination of fire safety information to the community.
- Objective:** Coordinate with the County and CR&R to immediately report resident complaints.

**GOAL V:**



**Maximize the District's available resources and ensure financial stability by maintaining a balanced budget and adhering to all applicable financial policies.**

- Objective:** Manage and staff District facilities so as to provide the most cost-effective services possible for the community.
- Objective:** Collect user fees and charges for use of the Montecito Center and Rossmoor and Rush Parks in accordance with the latest fee schedule approved by the Board.
- Objective:** Review user fees annually during the first quarter and recommend adjustments to the Board in May according to Policy 6015.
- Objective:** Pursue available grant funds whenever appropriate as a means of preserving its resources for other needed priorities.
- Objective:** Invest available funds in accordance with the District's investment policy and state law so as to safeguard District funds, meet District liquidity needs and achieve the highest prudent return on investment and report to the Board quarterly in January, April, July and October.
- Objective:** Prepare Revenue and Expenditures report and submit to the Board monthly.

**GOAL VI:**



**Communicate important information to the community in a timely and effective manner.**

- Objective:** Update the District's website at least monthly to inform the community about current District activities including Board meetings and completed projects.
- Objective:** Publish and distribute a newsletter each quarter to each household in the community to disseminate information about District programs, projects, District-sponsored events, and matters affecting the community.
- Objective:** Regularly submit press releases to the print media on items of interest to the public and the community and respond to local newspapers, County representatives, community organizations and residents promptly after their request is received.





**ROSSMOOR COMMUNITY SERVICES DISTRICT**  
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December 14, 2010

President Shannon Hough and  
Members of the Board of Directors:

I am pleased to present you with the published Rossmoor Community Services District Fiscal Year 2010-2011 Final Budget. This document contains the revisions made by the Board of Directors to the Preliminary Budget and also incorporates audited Fiscal Year 2009-2010 year-end fund balances. The document also includes those projects approved by the Board, but not fully implemented, such as the Montecito Center refurbishment project.

As in previous years, the Budget calendar did not allow for Final Budget approval by the Board with audited numbers. The Final Audit is now complete and this document reflects adjustments made as a result of the audit. The District once again received an unqualified audit and the changes from estimates to close and audited actuals are insignificant from a budgeting perspective.

The Annual Audit's Management Letter once more, pointed out one recommendation which is not considered to have any adverse affect on an unqualified audit. This recommendation deals with the issue of the District's reserves, pointing out the need for a designated reserve. The Client Response remains steadfast in that the District's accounting system and pooled cash reserves does not lend itself to a designated reserve. Moreover, there has been ongoing recognition of a critical need to maintain reserve levels sufficient to cover all contingencies while addressing the future needs for the proper maintenance and rehabilitation of the District's facilities. The Management Letter with its response is included as a part of this budget document.

As a final note, I wish to express my sincere appreciation to the Board and our staff for all of their hard work in the production of this document. I also want to recognize the work of the CIP Committee in reviewing of the proposed Capital Improvement Program and the Budget Committee in reviewing and commenting on the Preliminary Budget. The work of the Audit Committee must also be commended, without which this document could not have been completed. It is my intention to continue to improve upon the budgetary process for next fiscal year. My overall objective for the development of an operational budget is that it serves as a blueprint for moving forward with the Board's goals, initiatives and direction. I look forward to the development of the Fiscal Year 2011-2012 Preliminary Budget.

Cordially,

Henry Taboada  
Consulting General Manager

# MEMORANDUM

**TO: BOARD OF DIRECTORS**

**FROM: HENRY TABOADA  
CONSULTING GENERAL MANAGER**

**DATE: NOVEMBER 9, 2010**

**SUBJECT: FY 2010-2011 FINAL BUDGET MESSAGE**

## INTRODUCTION

The Fiscal Year 2010-2011 Final Budget has been processed, as dictated by SB 135 and Board policy. The budget format instituted three years ago continues with the spreading of administrative costs and overhead to appropriate operating departments. This methodology is intended to depict a more accurate statement of the cost of providing specific services and also serves as a model for cost recovery through the District's Fee Schedule. Although the method of allocating those costs is not based on a formal cost allocation model, a fee analysis conducted by a professional firm has allocated a majority of the District's recoverable costs to the appropriate departments and categories of expense. Therefore, the spreading of overall costs is considered to be within an acceptable range of accuracy.

As in the previous year, the Preliminary Budget was reviewed by the Budget Committee and this year the Capital Improvement Committee also reviewed Fund 40, and then presented to the Board in May without year-end figures which would be reconciled with the District's annual Report on Audit. Full reconciliation occurs when the FY 2009-2010 Report on Audit is adopted by the Board. SB135, which governs the budget cycle for special districts, mandates final budget adoption by August. This tends to limit the early development of final audited numbers prior to budget adoption. The Board, however, may amend the budget by resolution at mid-year, or when necessary.

In spite of the current economy, the District has continued to receive most all of its anticipated revenues, last year's Prop 1A takeaways, notwithstanding. Future revenue forecasts continue to suggest reductions rather than increases.

Therefore, this year's estimated expenses reflect either modest or no enhancements to services, while still projecting a modest carryover of Fund 10 balance for next fiscal year. Budget and cash flow impacts at this time are still considered to be formidable, but manageable.

Once again, the State Budget process began and ended in disarray. After months of heated negotiations, the Legislature finally submitted a budget to the Governor 100 days after the Constitutional deadline. The real impact of the State's budget shortfall has once again been pushed out until after the November elections. While there were mid-year reductions, the State budget situation remains precarious since anticipated revenues continue to fall far short of projections.

A major stop gap measure last year was the suspension of Prop 1A which took approximately \$2.2B from local governments to help balance the State budget. The revenue impact to the District was \$70,800. The State is required to pay the money back within two years at an established rate of 2%. The District elected to consider the takeaway as a three-year investment and treats the funds as a receivable in our accounting system. While this is a significant sum, the District is fortunate to have sufficient reserves to manage this situation, although the reduction contributed to a minor cash flow issue this year.

Also, the County has developed its budget and balanced it, without knowing the full impact from the recently adopted State budget. The projected impact to Rossmoor resulting from the estimated \$590,000 subsidy reflected in the Local Agency Formation Commission (LAFCO) Comprehensive Fiscal Analysis (CFA) has still not materialized. The County had intimated that they would make an effort to recover some or perhaps most of the subsidy; either by reducing services, charging for services or both. Thus far, the only indication of changes to service levels is coming from a strong indication that County Supervisor John Moorlach is awaiting a proposal from the City of Los Alamitos to provide public safety services to Rossmoor on a contract basis with the County to divest itself of municipal service delivery to the Rossmoor community.

None of these factors are intended to alarm or to cause concern about the fiscal condition of the District. This information is provided solely for the purpose of informing the Board of potential budget impacts during the 2010-2011 Fiscal Year. As always, our focus will be directed at the proper management and development of the District's programs and areas of responsibility. Moreover, the Board will be advised if a mid-course correction is needed and with sufficient time to adjust spending patterns accordingly. Accomplishments which follow are intended to provide a context for the fiscal element of the District's programs.

## ACCOMPLISHMENTS

Accomplishments for FY 2009-2010 included:

- a) Refurbishment of the Rossmoor Park Community Center.
- b) Construction of a new storage facility at Rush Park.
- c) Established reserved picnic areas at Rush and Rossmoor Parks.
- d) Replaced the Rush Park Auditorium roof.
- e) Replaced Montecito Center furnace and gate.
- f) Participated as a member of the Mayor's Consortium, addressing common issues, i.e., JFTB composting, runway reconstruction and coyotes.
- g) Upgraded parkway lighting at Rossmoor Park.
- h) Purchased a new truck to make better use of staffing and fiscal resources.
- i) Transferred excess reserve funds to facilitate paying down of \$495,000 of Rush Park acquisition bond debt.
- j) Conducted community workshops on sewer laterals, public safety, parkways and parkway trees and refuse collection.

## FUTURE OUTLOOK

Moving to what is known; a significant component of our projected revenue is attributable to the District's investment strategy. Each year, unspent revenue has been added to the District's reserves. These monies have been placed in investment accounts which are liquid and safe. Although current interest rates are rather low, the District's portfolio has several longer term investments which are still yielding a relatively high rate of return on investment. All investments are made in accordance with the District's investment policy which is based on limitations and safeguards set forth in the California Government Code.

Sound fiscal investment decisions made by the Investment Committee and the Board, within the bounds of its investment policy, are a primary factor for the District's cash position. While the economic outlook is bleak compared to a year

ago, return on investment will remain to be an important component of the District's total revenue profile, albeit at a declining rate.

Another important element of a sound budgeting process is a well developed mission statement with corresponding goals and objectives. Each fiscal year the Board readopts its mission statement and a comprehensive set of goals which mirror the District's primary areas of responsibility.

These areas included such activities as parks, recreation and parkway trees, as well as other important service elements. The District's budget is structured to properly allocate available resources to those activities; thus ensuring that resources meet anticipated expenses in providing the desired levels of service to the community. The General Manager's Quarterly Status Report is also formatted to correspond with the elements of the Board's Mission Statement and its Goals and Objectives, thus providing the Board with a status of performance.

The restructuring of the District's Fee Schedule provided the District with a comprehensive analysis of the cost of providing fee based services was performed this year. The District's average full cost recovery rate of 23% increased to 27%, or a 16% increase in actual revenue from fees, compared to previous years. While this is a modest portion of total revenue, the study from which the new fee schedule was derived, provides a framework for annual increases aimed at greater full cost recovery and keeping pace with inflation. Recovery of costs for services remains one of the only discretionary means of revenue available to the District.

Prudent and judicious use of reserves is another key factor in evaluating the fiscal condition of the District. Most local governments would be delighted to have the ratio of budget to reserves which the District enjoys. The District also has no debt service that relies on an annual appropriation by the Board of Directors. The current payments for financing the acquisition of Rush Park and the rebuilding of the community's Signature Wall are all financed with assessments paid by individual homeowners.

Another evolving budget element is the District's Capital Improvement Program (CIP) Fund 40 budget. This year, the Final Budget once again designates those capital expenditures over \$5,000 be managed within Fund 40, the District's CIP budget. The District has adopted a multi-year CIP. A three-year program is included in the budget which forecasts future projects and possible revenue sources. Future budgets now reflect an accounting for the multi-year program for capital projects whether or not funding has been identified. In this manner, the Board will be able to track the District's needs into the future and make more informed planning decisions in outer years. The proposed project schedule was formulated based on a prioritization workshop conducted by the Board with participation by the public. This year, the Public Works/CIP Committee fulfilled the role of updating the CIP schedule of projects and funding opportunities.

Finally, the District's finances remain in good order and there is the capacity for modest growth while maintaining a prudent reserve. Nevertheless this year's budget should be considered transitional in nature. The implications of the last two year's uncertainties dictate a conservative approach to spending and savings. In spite of the uncertainty, proposed service levels remain relatively unaffected.

Whatever the future portends, policy and management fiscal controls are in place to meet those challenges. I wish to thank the Board of Directors for their service and attention to the needs of the District. Hopefully, this budget reflects the trust you have placed in your management and staff.



# ROSSMOOR COMMUNITY SERVICES DISTRICT DESCRIPTION OF FUNDS



## **GENERAL INFORMATION**

The District's financial structure is organized like other governments with the use of funds. Funds are the control structure that ensures that public monies are spent only for those purposes authorized and within the amounts authorized. Funds are established to account for the different types of activities and legal restrictions that are associated with a particular government function. The use of money and the budgeting, accounting and auditing associated with this financial structure are governed by State of California statutes and Generally Accepted Accounting Principles, as determined by the Governmental Accounting standards Board.

The Rossmoor Community Services District uses the following funds to control its financial activities: General Fund, Special Revenue Funds, and Capital Improvement and Special Purpose Funds.

## **GENERAL FUND 10**

The **GENERAL FUND** is used to account for most of the day-to day operations of the District, which are financed through property tax, assessments, interest on investments, and other governmental agency reimbursements. Specific activities financed through this Fund include recreation, parks and facility maintenance, street lighting, street sweeping, mini-parks and medians, and District administration.

The District's General Fund does not presently contain subfunds which could be used to account for designated purposes, but this structure should be considered in the future to account for expenditures for such activities as the use of street lighting assessment funds or bond Improvement Funds.

## **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for revenues the District receives for a special purpose such as restricted assessment revenues and grant funding. The District currently utilizes one category of Special Revenue Funds, and that is to account for its Grant Funds if and when received (we did not receive any grants in 09-10).

## **CAPITAL IMPROVEMENT PROJECT (CIP) FUNDS**

The **CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND 40** is used for acquisition or construction of capital assets.

The **CAPITAL PROJECTS CONTRIBUTIONS CAPITAL PROJECTS FUND 40** is used for the financing and construction of the District's public facilities.

## **FIDUCIARY FUND**

The **AGENCY FUND 50** is used to account for cash and investments and assets held by the District as an agent for other parties and agencies.

## **SPECIAL PURPOSE FUNDS**

**ROSSMOOR WALL DEBT SERVICE FUND 20** is used to account for revenues, and the payment of principal and interest related to the 1998 certificates of participation.

**PUBLIC IMPROVEMENT FINANCING CORPORATION (PIFC) DEBT SERVICE FUND 45** is used to account for the **RESERVE FUND** for the 1998 certificates of participation.



**CAPITAL IMPROVEMENT PROGRAM - FUND 40  
REVENUES / EXPENDITURES BY ACCOUNT NUMBER**

ACCOUNT NO.	TITLE	2008-09 ACTUAL	2009-10 ACTUAL	2009-10 AMENDED BUDGET	2010-11 FINAL BUDGET	2011-2012 PROPOSED PROJECTS	2012-2013 PROPOSED PROJECTS	2013-2014 PROPOSED PROJECTS
<b><u>Fund Balance Beginning of Year</u></b>					<b>129,049</b>	<b>33,494</b>	<b>25,194</b>	<b>80,927</b>
<b><u>Revenues</u></b>								
Dept.								
	Other Government Agencies	21,608	-	-	-	-	-	-
	Interfund Transfer	-	405,109	221,158				
	Other Financing Sources (Improvement Fund)	-	-	-	69,715			
	Reserve/Contingencies	473,000	207,109	150,000	100,000	100,000	100,000	100,000
	Prop 1A Suspension Payback Prin & Int						75,133	
	<b>Total Capital Improvement Program Revenues</b>	<b>494,608</b>	<b>612,218</b>	<b>371,158</b>	<b>298,764</b>	<b>133,494</b>	<b>200,327</b>	<b>180,927</b>
<b><u>Expenditures</u></b>								
Dept.								
	Rossmoor Park	132,490	159,284	137,065	40,000	-	-	-
	Montecito Center	-	8,200	8,200	162,000	49,800	48,000	-
	Rush Park	155,009	90,796	87,666	42,270	58,500	71,400	174,000
	General	-	17,780	20,000	21,000	-	-	-
	<b>Total Expenditures</b>	<b>287,499</b>	<b>276,060</b>	<b>252,931</b>	<b>265,270</b>	<b>108,300</b>	<b>119,400</b>	<b>174,000</b>
<b><u>Fund Balance End of Year</u></b>		<b>207,109</b>	<b>336,158</b>	<b>118,227</b>	<b>33,494</b>	<b>25,194</b>	<b>80,927</b>	<b>6,927</b>



*ROSSMOOR COMMUNITY SERVICES DISTRICT*

**2010/2011 PERSONNEL SUMMARY**

**HOURLY**

- General Manager: Consultant
- General Counsel: Consultant
- District Auditor: Consultant
- Tree Consultant: Consultant

**FULL TIME**

- Administrative Assistant
- Accountant/Bookkeeper
- General Clerk
- Park Superintendent
- Recreation Superintendent

**PART TIME**

- Maintenance Assistant
- Recreation Leader
- Event Attendants

**VOLUNTEERS**

- Various Projects

**Rossmoor Community Services District**

**DISTRICT EMPLOYEE SALARY PLAN**

**F/Y 2010-2011**

Position	Current Salary		2010-2011 Salary (Midpoint)	2010-2011 Salary Range
	Yearly	Hourly		
Accountant/Bookkeeper	\$47,435	\$22.81	\$49,411	\$39,529 - \$59,293
***Administrative Assistant	\$41,340	\$21.20	\$46,647	\$37,318 - \$55,976
General Clerk	\$34,320	\$16.50	\$35,094	\$28,075 - \$42,113
Park Superintendent	\$40,186	\$19.32	\$50,232	\$40,186 - \$60,278
Recreation Superintendant	\$35,379	\$17.01	\$44,224	\$35,379 - \$53,069
*Maintenance Assistant	\$13,520	\$13.00		
*Recreation Leader	\$14,560	\$14.00		
Event/Facility Attendant	n/a	\$15.00		

\* 1/2 Time 20 hrs per week/1040 hrs per year

\*\* Salary Ranges are being established @ 80% and 120% 2009-2010 Midpoint

\*\*\* 37.5 hrs per week/1,950 hrs per year.



**ROGERS, ANDERSON, MALODY & SCOTT, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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OF COUNSEL  
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To the Board of Directors  
Rossmoor Community Services District

In planning and performing our audit of the financial statements of Rossmoor Community Services District (the District) for the year ended June 30, 2010, we considered the District's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 25, 2010 on the financial statements of the District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, or assist you in implementing the recommendations. Our comments are summarized as follows:

(1)

Appropriate Level of Unreserved Fund Balance in the General Fund

**Background** – Accountants employ the term *fund balance* to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis. In both cases, *fund balance* is intended to serve as a measure of the financial resources available in a governmental fund.

Accountants distinguish *reserved fund balance* from *unreserved fund balance*. Typically, only the latter is available for spending. Accountants also sometimes report a *designated* portion of unreserved fund balance to indicate that the governing body or management have tentative plans concerning the use of all or a portion of unreserved fund balance.

MEMBERS

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It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning.

In most cases, discussions of fund balance will properly focus on a government's *general fund*. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unreserved fund balance in the general fund.

Credit rating agencies carefully monitor levels of fund balance and unreserved fund balance in a government's general fund to evaluate a government's continued creditworthiness. Likewise, laws and regulations often govern appropriate levels of fund balance and unreserved fund balance for state and local governments.

Those interested primarily in a government's creditworthiness or economic condition (e.g., rating agencies) are likely to favor increased levels of fund balance. Opposing pressures often come from unions, taxpayers and citizens' groups, which may view high levels of fund balance as "excessive."

**Recommendation** – GFOA recommends that governments establish a formal policy on the level of unreserved fund balance that should be maintained in the general fund. GFOA also encourages the adoption of similar policies for other types of governmental funds. Such a guideline should be set by the appropriate policy body and should provide both a temporal framework and specific plans for increasing or decreasing the level of unreserved fund balance, if it is inconsistent with that policy.

The adequacy of unreserved fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, *at a minimum*, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures. A government's particular situation may require levels of unreserved fund balance in the general fund significantly in excess of these recommended minimum levels. Furthermore, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unreserved fund balance in the general fund at any one time.

In establishing a policy governing the level of unreserved fund balance in the general fund, a government should consider a variety of factors, including:

- The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unreserved fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).

- The availability of resources in other funds as well as the potential drain upon general fund resources from other funds (i.e., the availability of resources in other funds may reduce the amount of unreserved fund balance needed in the general fund, just as deficits in other funds may require that a higher level of unreserved fund balance be maintained in the general fund).
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained).
- Designations (i.e., governments may wish to maintain higher levels of unreserved fund balance to compensate for any portion of unreserved fund balance already designated for a specific purpose).

Based on the anticipated revenues and historical expenditures of the District, we recommend the appropriate level of unreserved fund balance in the general fund be maintained at six months of regular general fund operating expenditures. This would provide the District with the necessary financial resources to meet regular operating requirements, and also provide for unanticipated expenditures. The excess of unreserved fund balance over the established operating reserves could then be designated for use in the multi-year capital planning and capital project budget.

Naturally, any policy addressing desirable levels of unreserved fund balance in the general fund should be in conformity with all applicable legal and regulatory constraints. In this case in particular, it is essential that differences between GAAP fund balance and budgetary fund balance be fully appreciated by all interested parties.

**Client Response** – Management is in agreement with the intent of the GFOA guidelines and concurs with approach to sound financial management, particularly when those tenets are consistent with both current and long-term financial needs of the District. Management also supports the premise that specific fund balance policies are an essential element of sound multi-year capital planning and multi-year capital budgeting. There are two underlying issues which need to be addressed prior to establishment of an unreserved fund balance in the General Fund.

First, the District's budget format does not utilize a beginning and ending fund balance. It is recognized that the current format presents limitations regarding stable budgeting which does not resort to budget adjustments on a regular basis. Such a change, however, will distort year to year comparisons. Nonetheless, management will explore a conversion of the budget format to enable the inclusion of an unreserved fund balance in the General Fund.

Another foreseeable difficulty in the establishment of an unreserved fund balance is that the District utilizes its pooled reserve funds to pay the District's operating expenses during the start of the fiscal year until the first property tax payment is remitted by the County in the month of November. Since the District does not utilize tax or revenue anticipation notes for this purpose,

To the Board of Directors  
Rossmoor Community Services District

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the establishment of an unreserved fund balance would require a substantial amount of funds tied up for cash flow purposes; unavailable for other non-General Fund uses during the fiscal year. Nonetheless, management will analyze the auditor's recommended actions and make appropriate recommendations to the Board.

*Rogers, Anderson, Malody + Scott, LLP*

October 25, 2010