



MEETING DATE: November 5, 2015  
TO: Board of Directors  
FROM: Sally Lyon, Director of Finance and Administration  
SUBJECT: Designating Unrestricted Net Assets

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**RECOMMENDATION:** Adopt PI 309 with revisions and modifications to the unrestricted net asset categories:

**DISCUSSION:** Net Assets are the amount by which the District's assets exceed its liabilities. Net assets may consist of three components:

- Invested in capital assets, net of related debt, - this amount is equal to the District's net investment in fixed assets, as we have no outstanding debt.
- Restricted - net assets which have constraints placed on them by external creditors, grantors, contributors, or laws or regulations of other governments. We currently have \$16,468 that is restricted related to the funds we are required to set aside as a bond for the sewerage facilities that were dedicated to TSD. Staff will make a focused goal to resolve this issue with the Town of Truckee within the next 6 months and release this restricted asset.
- Unrestricted – those net assets that do not meet the definition of “invested in capital assets,” or “restricted.” Per the Governmental Accounting Standards Board (GASB) Statement No. 34,

*In the government environment, net assets often are designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net assets, these types of constraints on resources are internal and management can remove or modify them.*

The basis for the District's current designations were developed by a subcommittee of the Board in October of 2006. The Board has reviewed the allocations and made appropriate changes annually since then. The current Policy advises that “prudent fiscal management of the funds which have been entrusted to the District calls for annual re-evaluation of the noted designations.”

The current designations can be broken down into two classifications:

1. Those that are set dollar amounts such as the Designation for Annoyance Reduction and Community Outreach Programs, or the Designation for Pavement Maintenance and;
2. Those that are calculated based on District planning documents such as the Capital Facility Plans, which is based on grant- eligible projects forecasted for the two years beyond the year currently being budgeted; or the Designation for Operating Funds, which is calculated based on estimated property tax revenues and cash flow projections.

A report about unrestricted net assets from the California Special District Association notes that prudent accumulation of reserves:

- a. reflects the District’s view of its business environment;
- b. supports and informs strategic planning by identifying opportunities and constraints;
- c. helps inform customers and constituents about the District’s direction and priorities by showing funding to priority mission areas.

**FY2014 DESIGNATION LEVELS (Previous Categories)**

The designation levels as of the District’s financial statements for the year ended 9/30/14 are as follows:

Designated for land acquisition/management	\$2,750,000
Designated for operating funds	2,500,000
Designated for non-grant eligible projects	2,380,214
Designated for recognition of net pension liability	1,500,000
Designated for annoyance reduction and community outreach	1,000,000
Designated for pavement maintenance	1,898,259
Designated for grant eligible projects	445,200
Designated for fuel spill cleanup	30,000
<b>Total unrestricted net assets at 9/30/13</b>	<b>\$12,503,673</b>

**Proposed Modifications to Unrestricted Net Asset Categories**

At the May 2015 Budget Workshop, staff recommended various modifications and changes in asset designation categories and to base such on current District Capital Improvement Plans and other financial forecasting tools to more accurately plan for the future capital and operational needs.

At year end 9/30/15, it is estimated that unrestricted net assets will be approximately \$12.6 million. This number will be finalized with the completion of the Audited Financial Statements.

Staff recommends the following categories for the allocation of unrestricted net assets along with the proposed designation levels are:

Designated for Debt Retirement	\$0
Designated for Pavement Maintenance Capital Reserve	1,000,000
Designated for Facility Maintenance Reserve	500,000
Designated for Forest Management Reserve	500,000
Designated for Utility Capital Reserve	50,000
Designated for General Fund Operating Contingency	2,820,000
Designated for Annoyance Reduction/Outreach Reserve	1,000,000
Designated for Rolling Stock Reserve	250,000
Designated for Land Acquisition	1,000,000
Designated for Pension Liability	1,500,000
Designated for Approved FY2016 & FY 2017 Projects	3,980,000
<b>Total unrestricted net assets at 9/30/15</b>	<b>\$12,600,000</b>

**FISCAL IMPACT:** Designating funds in the various areas proposed does not limit the District's flexibility to move and use the funds when a compelling opportunity presents itself.

**PUBLIC COMMUNICATIONS:** The designations are detailed in the financial statements and are a primary indicator to the reader of the financial statements of the current direction of the Board. They are a form of communication with stakeholders that should not be overlooked.

**ATTACHMENTS:** Draft of PI 309