

## Fund Balance Policy

*Adopted: June 28, 2011*

*Revised:*

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County needs to maintain a General Fund Balance sufficient to fund all cash flows of the County, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, and to provide funds for all opportunities that require an expenditure/reimbursement process.

The County's reporting and communication relating to fund balance reserves will utilize the classifications outlined in generally accepted accounting principles (GAAP). GAAP dictates the following hierarchical fund balance classification structure based primarily on the extent to which the County is restricted in its use of resources. As of July 1, 2010 all fund balances were considered Unassigned.

- A. Non-spendable Fund Balance: These are fund balance amounts that are not in a readily spendable form, such as inventories or prepayments, or trust or endowment funds where the balance must remain intact.
- B. Restricted Fund Balance: These are amounts that have constraints placed on their use for a specific purpose by external sources such as creditors, or legal or constitutional provisions.
- C. Committed Fund Balances: These amounts are designated for a specific purpose or constraints have been placed on the resources by the County Board of Supervisors. Amounts within this category require Board of Supervisors action to commit or to release the funds from their commitment.
- D. Assigned Fund Balances: These are amounts set aside with the intent that they be used for specific purposes. The expression of intent can be by the County Board of Supervisors or their designee and does not necessarily require Board action to remove the constraint on the resources.
- E. Unassigned Fund Balances: These are amounts not included in the previously defined categories. The County General Fund is the only fund that should report a positive unassigned fund balance.

The purpose of this policy is to specify the size and composition of the County's financial reserves.

I. The following individual items shall constitute the County General Fund Balance:

Committed Fund Balance: Committed fund balance consists of portions of fund balance that are constrained to a specific future use or are not available for appropriation or expenditure.

Committed for a Specific Purpose – These funds are collected through fines or fees and their future use is committed to a specific purpose. These funds have been designated for a specific purpose by the Board of Supervisors.

Assigned Fund Balance: These funds have been designated for a specific purpose.

Unassigned Fund Balance: Unassigned funds represent expendable available financial resources that can be used to meet contingencies, working capital requirements, and for non-recurring expenditures.

## II. Monitoring and Reporting

The County Administrator and Finance Manager shall annually prepare a report documenting the status of the fund balance with this policy and present to the Board in conjunction with the development of the annual budget. Should the report disclose there are unassigned funds available; a recommendation for use of said funds shall be presented to the Board in the report.

## III. Assigned Fund Balance Policy

The Board of Supervisors has authorized the County Administrator as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

## IV. Resource Flow Policy

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.