

	<b>CHAPTER:</b>	<b>POLICY:</b> Fund balance
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<b>SUBJECT:</b> Target fund balance and cash balance levels		
<b>RELATED POLICIES:</b>	<b>ENABLING RESOLUTION:</b>	
	<b>RESOLUTION DATE:</b>	
	<b>REVISED RESOLUTION &amp; DATE:</b>	Resolution 141-2011 7/6/2011
<b>OFFICE WITH PRIMARY RESPONSIBILITY:</b> Chief Financial Officer		

## **I. POLICY STATEMENT**

County finances will be managed so as to maintain balances of the various funds at levels sufficient to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures, ensure stable tax rates, and protect the County's creditworthiness. The primary responsibility for monitoring fund balances and recommendations to reinstate targeted fund balance or to use excess unassigned fund balance rests with the Chief Financial Officer.

## **II. DEFINITIONS**

*Cash balance:* The sum of cash and investments of an accounting fund.

*Fund balance:* The cumulative difference between the assets and liabilities.

*Nonspendable fund balance:* The portion of fund balance that cannot be spent because of its form or that must be maintained intact. (e.g., long-term receivables, inventories, principal of endowment fund)

*Restricted fund balance:* The portion of fund balance that has externally enforceable limitations on use. Limitations are imposed by creditors, grantors, contributors, or laws and regulations of other governments.

*Committed fund balance:* The portion of fund balance whose use is constrained by limitations that the County imposes upon itself. Limitations are imposed at the highest level of decision making that requires formal action at the same level to remove.

*Assigned fund balance:* The portion of fund balance that has intended uses. The uses can be established by the governing body itself or established by a body or an official delegated by the governing body.

*Unassigned fund balance:* The excess portion of fund balance over nonspendable, restricted, committed and assigned components. A positive unassigned balance is only allowed in the general fund.

*Unrestricted fund balance:* The combined balances of committed, assigned and unassigned fund balance.

*General Fund:* The County's primary operating fund that accounts for County services not otherwise specified in a separate fund.

*Special Revenue Funds:* Accounts for proceeds of specified revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Debt Service Funds:* Accounts for the financial resources that are restricted, committed or assigned to expenditure for principal and interest.

*Internal Service Funds:* Accounts for the financing and administration of general services provided to various departments of the County.

*Capital Project Funds:* Accounts for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

### **III. PROCEDURES**

A. *Minimum cash balance:* In order to provide liquidity adequate to address unexpected revenue reductions or unanticipated expenditures, the General Fund will be managed by the Finance Division in such a way as to maintain a minimum cash balance on the last day of each calendar quarter equal to at least ten percent of budgeted annual expenditures and transfers out. All Special Revenue Funds, Debt Service Funds, and Internal Service Funds will be managed by the Finance Division in such a way as to maintain a minimum cash balance on the last day of each calendar quarter equal to at least five percent of the fund's budgeted annual expenditures and transfers out. Capital Funds will be managed by the Finance Division in such a way as to maintain a non-negative cash balance on the last day of each calendar quarter in each bond series currently financing in-process capital projects.

B. *Minimum unrestricted fund balance:* In order to avoid service disruptions that otherwise could arise from revenue shortfalls or unanticipated expenditures, the General Fund will be managed by the Finance Division in such a way as to maintain a minimum unrestricted fund balance on the last day of each calendar quarter equal to at least twenty percent of budgeted annual expenditures and transfers out.

C. *Excess unassigned fund balance:* In the event the unrestricted fund balance exceeds the minimum balance requirements in the General Fund, at the end of each fiscal year, any excess unassigned fund balance may be used in the following ways:

- Appropriated in the following budget cycle to lower the amount of bonds needed to fund capital projects in the County's Capital Improvement Program.
- Appropriated in the following budget cycle to fund the County's expected liabilities in risk management and workers compensation.
- Appropriated in the following budget cycle as one-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs.
- Appropriated in the following budget cycle to increase reserves for equipment replacement.
- Start-up expenditures for new programs, provided that such action is approved by the Board of County Commissioners and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Finance Division.

D. *Restoration of minimum cash or unrestricted fund balance:* Should the cash balance or unrestricted fund balance fall below the target level, the Finance Division will prepare and implement a plan for restoration of the balance to the target level and achieve the target level as soon as practicable within six calendar quarters of the deficiency.