

Fund Balance and Net Assets Policy

I. Background

This policy establishes guideline for the appropriate fund balance and net asset levels to maintain the County's positive financial position.

II. All Funds

- A. Financial statement presentation of fund balances and net assets shall comply with Governmental Accounting Standards Board (GASB) criteria.
- B. Fund balance will be displayed in the following GASB-defined classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:
 - 1. *Nonspendable fund balance* – amounts that are not in a spendable form, such as inventory, or are required to be maintained intact.
 - 2. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
 - 3. *Committed fund balance* – amounts constrained to specific purposes by the County Board of supervisors (its highest level of decision-making authority); to be reported as committed, amounts cannot be used for any other purpose unless the Board of Supervisors takes the same (highest-level) action to remove or change the constraint.
 - 4. *Assigned fund balance* – amounts a government intends to use for a specific purpose, including budgeted use of prior year fund balance.
 - 5. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund, unless otherwise required by the GASB.

III. Committed Fund Balances

- A. In accordance with GASB criteria, unless otherwise established by Board Policy, the Board of Supervisors shall pass a resolution to establish any desired Committed Fund Balances for specific purposes. As required by the GASB, such Policy or resolution shall be established prior to fiscal year-end, but the amount of such Committed Fund Balances may be determined subsequent to fiscal year end.

IV. Assigned Fund balances (permitted by GASB in and applicable to all County Governmental Fund)

- A. General Fund
 - 1. For the General Fund, the GASB defines assigned fund balance as any amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed
- B. Special Revenue Funds and Capital Projects Funds
 - 1. For Special Revenue Funds and Capital Projects Funds, the GASB defines assigned fund balance as any residual fund balance amount that is neither restricted nor committed, in accordance with, and to be used for, the specific purposes for which each individual fund was established. In Special

Revenue and Capital Projects Funds, any such remaining assigned fund balance will arise from actual operations of the specific fund, in accordance with that fund's adopted budget.

C. All Governmental Funds

1. The Board of Supervisors has determined that the establishment of Assigned Fund Balances, including the intent, specific purpose, and amounts may be made by the County Administrator for all County Governmental Funds, although any expenditure of Assigned Fund Balances is subject to prior legal appropriation by the Board of Supervisors.
2. The County Administrator shall provide a summary to the Finance Committee of any specific Assigned Fund Balances, including their purposes and amounts, prior to their establishment. In accordance with GASB criteria, any fiscal year-end Assigned Fund Balances shall be established prior to issuance of the annual Comprehensive Annual Financial Report.

V. **Unassigned Fund Balance (Generally only permitted by GASB in General Fund)**

A. General Fund

1. The unassigned fund balance is established to protect against unanticipated expenditures, to provide for cash flow reserves during the fiscal year due to the timing difference between the receipt of revenues and disbursement of expenditures, and to meet desired unassigned fund balance targets.
2. Unassigned fund balance shall be at least equal to 10%, with a target unassigned fund balance as established by Fund Balance Regulations, of the General Fund's total revenues as measured during the annual budget adoption process as total budgeted revenues, net of any budgeted uses of fund balance, and as measured at fiscal year-end as actual revenues recognized in accordance with generally accepted accounting principles over the preceding fiscal year.
3. If there is a shortfall in the General Fund unassigned fund balance beneath the 10% minimum fund balance percent, the County Administrator shall approve a plan to achieve the minimum within three fiscal years.
4. If there is a shortfall in the General Fund unassigned fund balance beneath the target established by the Fund Balance Regulations, the goal of the next Five-Year Financial Plan shall be to attain the target.

B. Special Revenue Funds and Capital Projects Funds

1. For all Special Revenue and Capital Projects Funds, it is the goal of the County that each fund maintains a positive unassigned fund balance, and that the County Administrator shall approve a plan to eliminate any negative unassigned fund balance within three fiscal years.

VI. **Unrestricted Net Assets**

- A. Unrestricted net assets are reflected in entity-wide financial statements for governmental and business-type activities under the primary government and for the component units.

- B. It is the County's goal to have positive unrestricted net assets in its Statement of Net Assets, which reflects economic well-being.
- C. Business-type Activities and Proprietary Funds
 - 1. Business-type activities and Proprietary Funds do not reflect fund balance accounting, but instead report net assets, in accordance with GASB criteria.
 - 2. Proprietary Funds
 - a. It is the County's goal that unrestricted net assets shall be at least equal to 10% of total operating revenues at fiscal year-end, net of any donated assets recognized, to provide reserves for operations and future capital improvements, and that, in the event of a shortfall, the County Administrator shall approve a plan to achieve the minimum within three fiscal years.