


		Policy # 1700
Subject: Fund Balance Policy and General Fund Reserve		
Responsible Department: Department of Finance		
Effective Date: 1/2023	Revision Date:	
		
Ann Edwards County Executive		
		
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1. Purpose

This policy establishes the procedures for reporting, within the annual financial statements, unrestricted fund balance (comprised of Committed, Assigned, and Unassigned categories) within the County's governmental funds: General Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Funds. The policy also establishes the policy for General Reserves funding.

2. Authority

Government Accounting Standards Board (GASB) Statement No. 54 and the Board of Supervisors (Board) Resolution 2016-0295.

3. Scope

Policy applies to governmental funds reported in the County's annual financial statements, as well the General Funds for reserve requirements.

4. Policy

A. Governmental Fund Designations and fund balance usage

Per GASB Statement No. 54, there are 5 components of fund balance:

1. Nonspendable - amounts that cannot be spent because they are either: a) not in spendable form; or b) legally or contractually required to be maintained intact.
2. Restricted - amounts with constraints placed on their use that are either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
3. Committed – amounts that can only be used for specific purposes determined by formal action of the County’s highest level of decision-making authority (Ordinance or Resolution by the Board of Supervisors).
4. Assigned – amounts that are constrained by the County’s intent to be used for specific purposes on an annual basis. The intent can be established at the either highest level of decision-making (Ordinance or Resolution by Board of Supervisors), or by a body or an official designated by the Board of Supervisors for that purpose.
5. Unassigned – the residual classification for the County’s General Fund include amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance are available, the county’s policy is to first apply to restricted fund balance. Only the Board has the authority to assign unrestricted fund balance amounts where the County’s intent is for those amounts to be used for specific purposes. The Board, as the highest level of decision-making authority in the County, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use through the same type of formal action taken to establish the commitment. The Board action to commit fund balance needs to occur

within the fiscal reporting period, but the amount, if any, which will be subject to the constraint, may be determined at a subsequent period.

B. General Reserves Level

The County's goal is to have General Reserves equal to 10% of Discretionary Revenues and Reimbursements. In accordance with State law, except in cases of a legally declared emergency, General Reserves may only be cancelled or decreased at the time of budget adoption. In addition to emergencies, in times of fiscal stress, these funds can be used to help balance the General Fund budget as part of a plan to achieve structural balance. Any Plan to achieve structural balance should include a provision to replenish the General Reserves to the 10% level.

C. General Reserves Funding Policies

1. Any existing discretionary reserves no longer needed for the stated purposes will be reclassified as General Reserves.
2. In any fiscal year, the Budget Recommended for Adoption (September Hearings Budget) will include an increase in General Reserves in an amount equal to 10% of the General Fund's actual "Available" Fund Balance Carry-forward (as determined in July following the close of the County's books), until the General Reserve level reaches 10% of Discretionary Revenues and Reimbursements.

5. Review

Review annually and revise for any changes in guidance from the aforementioned authorities above.