

# **Fund Balance and Net Assets Regulations**

## **1. Planning and Performance**

- a) Compliance with fund balance policy will be reviewed in conjunction with the budget process, audit process, Five-Year Financial Plan preparation, and upon changes made to the budget throughout the fiscal year.
- b) All fund balances shall be invested in compliance with the Deposits and Investment Policy, with all investment income recognized in the fund in which the fund balance is maintained, unless otherwise specifically provided for in writing.
- c) No appropriation of fund balances for recurring operational expenditures shall be made unless a plan for permanent funding of such expenditures is also approved at the time of appropriation.

## **2. All Funds**

- a) Reservations per GASB.
  - i) Outstanding encumbrances (i.e. purchase orders, contracts and other commitments) at fiscal year-end, subject to available resources as defined by GASB.
  - ii) Inventory balances at fiscal year-end, which represent amounts invested in inventory and not available for appropriation.
  - iii) Advances to other funds at fiscal year-end, which are currently not available for appropriation.
  - iv) For business-type activities (e.g., Enterprise Funds), there will be a restriction of net assets for investment of capital assets, net of related debt.
  - v) Amounts reserved for grant projects, or by law, regulations, or agreements (for example, Asset Forfeiture).
    - a) These amounts are reserved under GASB criteria, due to external legal enforceable criteria (laws and regulations, agreements, etc.).
- b) Unreserved - designated for specific purposes.
  - i) Reappropriation of unencumbered balances to continue existing projects, which shall equal the continuing project balance for which the revenue source was recognized in a prior fiscal year.
  - ii) Funding of subsequent fiscal year's budget shall equal the use of fund balance appropriated in the adopted budget.
  - iii) Designations for funding of planned projects in a future period to reduce the financial demands placed upon a subsequent budget. These specific designations are to indicate tentative plans for financial resource utilization in a future period.
  - iv) Designations for economic development shall have a target minimum balance of \$500,000 in the General Fund and be utilized

## **Fund Balance and Net Assets Regulations**

for those purposes as illustrated in the Economic Development Strategic Plan.

- v) Accounting designations for those funds that are required to be recognized as revenues in advance of matching or targeted expenditure:
  - a) Law library
  - b) Proffers
  - c) Stormwater management

### **3. General Fund Unreserved - Undesignated**

- a) For purposes of year-end disclosure in the Comprehensive Annual Financial Report, actual General Fund operating revenues shall be used and shall meet the minimum 10% reserve balance.
- b) Balances should be at such a level that the County will not incur short-term borrowing as a means to fund operations (see Debt Policy); unless circumstances illustrate that such fiscal planning strategies are advantageous to the County.

### **4. Special Revenue Funds**

- a) The School Fund and Community Services fund balances are generally encumbrances and/or reappropriation of prior fiscal year balances for which the revenue was recognized in a prior fiscal year with any surplus or deficits at year-end reverting back to the General Fund. Undesignated balances may be accumulated as approved by the County Administrator.
- b) The School Textbook Fund balance, in addition to encumbrances and reappropriation, includes undesignated balances accumulated for the acquisition of textbooks in subsequent fiscal years and other reserves.
- c) The School Food Service Fund balance, in addition to encumbrances and reappropriation, includes a reservation for inventory and undesignated balances for acquisition of cafeteria equipment in subsequent fiscal years, contingencies and other reserves.
- d) The Comprehensive Services Fund, in addition to encumbrances and reappropriation, includes undesignated balances accumulated for local matching of unanticipated expenditure increases in subsequent fiscal years.
- e) The Economic Development Authority Fund balance, in addition to encumbrances and reappropriations, includes undesignated balances accumulated for economic development functions in subsequent years.

### **5. Capital Projects Funds**

- a) County Improvements Fund
  - i) Fund balances are encumbrances and/or reappropriation of prior fiscal year balances for which the revenue was recognized in a prior fiscal year.

## **Fund Balance and Net Assets Regulations**

- ii) Designations shall be made for debt service reserve funds for bond proceed projects that established a debt service reserve fund upon issuance of the bond proceeds.
  - iii) Designations shall be made for accounting designations for proffers, stormwater management fees, and unexpended grant revenue for which a timing difference arises between recognition of revenue and subsequent use of funds.
  - iv) Any unreserved fund balance is considered to be part of the County Capital Savings Plan and reviewed as part of the Capital Improvement Program budget formulation for future accumulation and use of such balances in meeting the long-term capital needs of the County.
  - v) Because of the timing difference between issuance of purchase order and subsequent fiscal year receipt of non-local funding source (e.g., grants, bond proceeds, etc.), reservations for encumbrances may result in undesignated fund deficits which would be eradicated upon receipt of non-local funding source.
  - vi) Disclosure of undesignated fund deficits will be presented in the footnotes to the Comprehensive Annual Financial Report (CAFR).
- b) School Improvements Fund
- i) Any unreserved fund balance is considered to be part of the School Capital Savings Plan and reviewed as part of the Capital Improvement Program budget formulation for future accumulation and use of such balances in meeting the long-term capital needs of the schools.
  - ii) Designations shall be made for accounting designations for proffers and unexpended grant revenue for which a timing difference arises between recognition of revenue and subsequent use of funds.
  - iii) Because of the timing difference between issuance of purchase order and subsequent fiscal year receipt of bond proceeds for school projects, reservations for encumbrances may result in undesignated fund deficits which would be eradicated upon receipt of bond proceeds.
  - iv) Disclosure of undesignated fund deficits will be presented in the footnotes to the Comprehensive Annual Financial Report (CAFR).

### **6. Enterprise Funds**

- a) Restrictions, reservations, and designations of Net Assets
  - i) For external reporting purposes, net assets will be reported as restricted or unrestricted in accordance with GAAP. For internal purposes, net assets will be reserved or designated as follows:

## **Fund Balance and Net Assets Regulations**

- ii) Reappropriation of unencumbered and encumbered balances to continue existing projects are designated.
- iii) Designations for funding of planned projects in a future period to reduce the financial demands placed upon a subsequent budget. These specific designations are to indicate tentative plans for financial resource utilization in a future period.
- iv) A reservation shall be maintained equal to the sinking fund balance per an agreement with a major customer.
- v) Public Utilities - In order to maintain compliance with debt covenants from outstanding water and sewer system revenue bonds, the following additional restrictions are noted:
  - a) Reserve for operations shall be maintained equal to 1/6 of the operating expenses budgeted.
  - b) Renewal, replacement and expansion reserve shall be maintained equal to \$500,000.

### **7. Internal Service Fund**

- a) The Self Insurance Fund balance in addition to encumbrances and reappropriation, includes undesignated balances for contingencies and other reserves.

### **8. Net Assets**

- a) Investment in capital assets, net of related debt reflects total capital assets, net of accumulated depreciation, and net of related outstanding debt issued to fund such capital assets.
- b) Restricted for other purposes reflect net amounts legally restricted by law, contract, or grant awards in accordance with GAAP.
- c) Unrestricted net assets represents total net assets less those amounts invested in capital assets, net of related debt, and those amounts restricted for other purposes.