

**I. PURPOSE:**

To establish unreserved fund balance ranges for the County's general fund and other governmental funds to guard its citizens against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. Adequate reserve levels are a necessary component of the County's overall financial management strategy and key factor in external agencies' measurement of the County's financial strength.

**II. BACKGROUND:**

Fund Balance by definition does not equal cash, nor is it the difference between revenues and expenditures. Rather, Fund Balance is the cumulative difference of all revenues and expenditures from the government's creation. It can also be considered to be the difference between fund assets and fund liabilities, and can be known as fund equity.

A distinction is made between reserved and unreserved fund balance.

Reserved fund balance consists of portions of fund balance that are either legally restricted to a specific future use and are not available for appropriation or expenditure. The portion of fund balance that is not available for appropriation or expenditure represent assets that are not considered "expendable available financial resources." Reserved fund balance is often further broken down into several categories based on the purpose of the assets held. Typical fund balance reserves include:

- Reserved for advances to other funds
- Reserved for debt service
- Reserved for encumbrances
- Reserved for fixed assets held for resale
- Reserved for inventories
- Reserved for prepaid items

Unreserved fund balance represents expendable available financial resources. Unreserved fund balance is often subdivided into designated and undesignated portions. Designated fund balance represents management plans for the future financial resources use. Expressed another way, designations reflect a government's self-imposed limitations on the use of otherwise available expendable financial resources in governmental funds. Undesignated fund balance represents available financial resources, which have not been designated or obligated to a specific purpose. Typical designated fund balance accounts include:

- Designated for working capital
- Designated for subsequent years expenditures
- Designated for future capital expansion
- Designated for operating contingencies
- Designated for budget stabilization

### III. PROCEDURE

1. The County will establish a minimum unreserved fund balance in the General Fund of eight (8%) and a maximum of seventeen (17%). The County will establish minimum fund balance requirements for other governmental funds for each fund based on the cash flow requirements of the fund as well as other factors unique to the fund. Annual contributions will be budgeted from General Fund resources as available to maintain the target reserve level. Any shortfall in an individual year shall be recaptured in the subsequent fiscal year.
2. It will be the policy for the County to apply the above criteria for annual analysis during its budgeting process. A range of fund balance will be presented to the Board for approval as part of the annual budgeting process; any deviation from the policy shall be documented and presented at this time. If a fund balance is outside of the established range, the proposed budget must include a multi-year plan of action to achieve compliance with the established range.
3. In the event of the declaration of an emergency by the Board of County Commissioners, a minimum Fund Balance equal to eight (8%) of operating expenditures will be maintained. A supermajority vote of the Board is required to approve the use of the Fund Balance such that it falls below the eight (8%) target. The County will identify a plan to restore the General Fund balance to its target amount as part of the emergency budget proposal.
4. The County will include all projected fund balances in the annual budget. All reserves will be presented in the annual budget.
5. On an annual basis, after the year-end audit has been completed, but no later than, May 1 the County Administrator shall produce a schedule of all fund balances projected and actual with projections of reserve requirements and a plan for the use of any excess surplus for the current year.