

## **Fund Balance and Net Assets Policy**

### 1. Background

- a) The County desires to maintain the financial operation of the County in a manner consistent with sound financial management principles including guidelines and criteria established by rating agencies and bond insurance firms.

### 2. All Funds

- a) Reservations of fund balance and/or restrictions of net assets per Government Accounting Standards Board criteria.
- b) Unreserved – designated for specific purposes are for those non-business-type activity funds that are:
  - i) Specifically reserved by the Board of Supervisors for a future need
  - ii) Revenues recognized in advance of matching expenditure
  - iii) Reappropriation of balances
  - iv) Funding of subsequent budget
  - v) Specific contractual/bond agreements
  - vi) Target reservations under Economic Development Strategic Plan

### 3. Unreserved - Undesignated

- a) General Fund
  - i) For purposes of 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 reserves.
  - ii) Balance shall be at least equal to 10% of the General Fund's total revenues as measured during the budget process as total revenues net any uses of fund balance and as measured at year-end actual revenues recognized over the preceding fiscal year.
- b) Special Revenue Funds - Any unreserved – undesignated balances will be established by County Administrator based upon targeted future needs and/or reserve for contingences for a particular fund.
- c) Capital Projects Funds - For capital project funds, unreserved – undesignated balances will arise as part of formulation of long-range capital savings programs with projected accumulation and utilization of such savings plans illustrated annually in the Board of Supervisors adopted Five-Year Capital Improvements Program.

### 4. 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 that reflect economic well-being.
- c) Business-type Activities
  - i) Business-type activities do not reflect fund balance accounting.
  - ii) Enterprise Funds – Unrestricted net assets shall be greater than 10% of total operating revenues at fiscal year-end, net of any donated assets recognized, to provide reserves for operations and future capital improvements.
  - iii) Internal Services Funds
    - a) The Fleet Management Fund total net assets shall maintain a positive balance to illustrate the internal nature of recovery fees for services performed in maintaining the fleet of vehicles and related equipment.
    - b) The Self Insurance Fund unrestricted net assets shall maintain a positive balance to demonstrate adequate funding for incurred but not reported claims (IBNR).