

Fund Balance and Net Assets Policy

I. Background

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

II. All Funds

- A. Reservations of fund balance and/or restrictions of net assets shall comply with Governmental Accounting Standards Board criteria.
- B. Unreserved – designated for specific purposes are for those non-business-type activity funds that are:
 - 1. Specifically designated by the Board of Supervisors for a future need
 - 2. Revenues recognized in advance of matching expenditure
 - 3. Reappropriation of balances
 - 4. Funding of subsequent budget
 - 5. Specific contractual/bond agreements
 - 6. Target reservations under Economic Development Strategic Plan

III. Unreserved - Undesignated

- A. General Fund
 - 1. 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 reserve balance.
 - 2. 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 the 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.

IV. 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.

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- C. Business-type Activities
 - 1. Business-type activities do not reflect fund balance accounting.
 - 2. Enterprise Funds
 - a. Public Utilities - 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.
 - b. Airport – Unrestricted net assets shall consist of any remaining balance of net assets, after restricted net assets are established based on externally imposed restrictions (including those established by debt covenants). Whenever possible, Airport unrestricted net assets shall be greater than 10% of total operating revenues at fiscal year-end.
 - 3. 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).