

# GREEN COUNTY FUND BALANCE POLICY

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## Purpose

The objectives of this fund balance policy are as follows:

- Preserve the credit worthiness (credit rating) of the county for borrowing monies at favorable interest rates.
- Provide working capital for the county to meet cash flow needs during the year.
- Provide a comfortable margin of safety to address unanticipated expenditures or emergencies and unexpected declines in revenue due to economic downturns, natural disaster, etc.
- Provide a resource to stabilize fluctuations from year to year in the property taxes paid the county taxpayers.

## Policy

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. Fund balance will be reported in five categories, Non-spendable, Restricted, Committed, Assigned, and Unassigned Fund Balance.

**Non-spendable Fund Balance** – Amounts cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

**Restricted Fund Balance** – Amounts are restricted by external parties (i.e. creditors, grantors, contributors) or laws or regulations of other governments, or restricted by law through constitutional provisions or enabling legislation, such as an ordinance.

**Committed Fund Balance** – Amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The formal action must occur prior to the end of the reporting period. The amount, which will be subject to the constraint, may be determined in the subsequent period.

**Assigned Fund Balance** – Amounts constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. The intent can be expressed by 1) the government body itself or 2) a body or official to whom the governing body has delegated the authority (i.e. finance committee, Director of Finance, Clerk, Treasurer). Monies set aside for carryover appropriations, compensated absences, or contingencies are some of the examples to be included in the assigned category. Assigned fund balance can be used to eliminate the projected budgetary deficit in the subsequent year's budget.

**Unassigned Fund Balance** – The positive fund balance within the general fund which has not been categorized in one of the above categories. A negative residual fund balance in other governmental funds is also categorized as unassigned.

It is the policy of Green County that in cases where multiple types of funds are available to pay for expenditures in the various funds, restricted balances will be spent first, unless there are legal documents or contracts that prohibit doing this. Additionally, the county would first use committed, then assigned, and finally unassigned amounts when expenditures are made.

### **Procedures**

In order to achieve the objectives of this policy, the following guidelines shall be adhered to by the Green County Board of Supervisors.

1. An unassigned general fund balance shall be maintained as of December 31 of each year equal to a minimum of 2 months (or 17%) of the ensuing year's budgeted general fund expenditures, with a target maximum of 3 months (or 25%) of the ensuing year's budgeted expenditures.
2. Green County will maintain appropriate commitments or assignments of general fund, special revenue funds, debt service funds and capital projects funds for specified purposes. Commitments and/or assignments of fund balance shall be made pursuant to appropriate legislation (ordinance or resolution) adopted by the Green County Board of Supervisors.
3. As part of the annual budget process, the Finance Director will estimate the surplus or deficit for the current year and prepare a projection of the year-end unassigned general fund balance. Any anticipated balance in excess of the minimum unassigned general fund balance may be assigned to other purposes, or budgeted to reduce the ensuing year's property tax levy. Any known events that are anticipated to materially reduce reserves shall be considered prior to such use of reserves.
4. In the event of extenuating circumstances, unassigned fund balance may be used when necessary to fund modifications of the current year budget. In accordance with State law, such a budget modification shall require a two-thirds majority approval of the County Board. The Finance Committee shall review budget modifications to verify that transfers requested are necessary as a result of events that were beyond the control of the County.
5. The County board, by two-thirds vote, can declare a fiscal emergency and withdraw any amount of general fund balance for purposes of addressing the fiscal emergency.
6. Withdrawal of any amount of unassigned general fund balance that reduces the balance to less than the minimum amount as stated in 1) above shall require replenishment of fund balance as soon as economic conditions allow. Recommended guidelines for replenishment shall be as follows:
  - a. 80% of targeted balance after 1 year
  - b. 90% after 2 years
  - c. 100% after 3 yearsReplenishment of unassigned fund balance may be accomplished through the control of operating expenditures, unexpected revenue sources, year-end budget surpluses or above average sales tax revenues.
7. This policy will be reviewed by the Finance Committee every three years following adoption or sooner at the direction of the County Board.
8. It is the policy of this government that assignments of fund balances and resources within a fund may be determined by the Finance Committee with final approval by the County Board.