

General Fund Balance Policy

Date Last Updated: March 2020

Purpose

The purpose of this policy is to establish a key element of the financial stability of Winnebago County (County) by setting guidelines for the general fund balance. Fund balance is an important measure of economic stability. It is essential that the County maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The fund balance provides cash flow liquidity for the general operations of the County. It is important to maintain an appropriate fund balance level to protect the County's credit worthiness. This policy also addresses the County's requirements under Government Accounting Standards Board (GASB) 54 surrounding the composition of fund balance, including the establishment and use of the various components of fund balance.

Definitions

Fund Balance – A governmental fund's fund balance is the difference between its assets, deferred outflows and its liabilities and deferred inflows.

Fund Balance Components – An accounting distinction is made between the portions of fund equity that are spendable and nonspendable. Under GASB 54, these are broken up into five (5) categories:

- 1) Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)
- 2) Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and dedicated property tax.
- 3) Committed fund balance - amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- 4) Assigned fund balance - amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) Unassigned fund balance – the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

General Fund – A governmental fund that typically serves as the chief operating fund of a government. The General Fund is used to account for all financial resources not accounted for in some other fund.

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Unrestricted fund balance - Unrestricted fund balance includes committed, assigned and unassigned fund balance categories. Also referred to as Reserve. It is the portion of fund balance that is intended to provide stability and respond to unplanned events or opportunities.

Policies

Minimum Range for Appropriate Level of Unrestricted Fund Balance - General Fund

The fund balance of the County's General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The County's basic goal is to limit expenditures to anticipated revenue in order to maintain a balanced budget when possible.

It is the goal of the County to achieve and maintain an unrestricted fund balance in the general fund equal to a target range of 16% - 20% of the governmental fund's (excluding capital and debt service funds) subsequent year's budgeted expenditures. The County will measure its compliance with this policy as of December 31st each year, as soon as practical after final year-end audit becomes available.

Funding of the Undesignated General Fund balance will generally come from excess revenues over expenditures or one-time revenues.

The use of fund balance is appropriate for one-time expenditures and to avoid creating a structural deficit.

In the event the Undesignated General Fund balance exceeds the upper limit of the target range balance requirements at the end of each fiscal year, any excess will be used in the following ways:

1. At least one-half of excess will be appropriated to lower the amount of bonds or contributions needed to fund capital projects;
2. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or

If the unrestricted fund balance falls below the goal or has a deficiency, a plan will be developed and included in the annual budget process.

Committed Fund Balance

The Board is the County's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board at the board meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance

The Board has authorized the Director of Finance as the official authorized to assign fund balance to a specific purpose, with County Executive approval, in compliance with this fund balance policy.

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Quality Control and Quality Assurance

It is the responsibility of the Director of Finance to ensure the presence of procedures that provide sufficient guidance to affected County personnel to fulfill the intent of this policy.

These policies will be reviewed at least bi-annually and updated on an as-needed basis.