RESOLUTION 2010-56

Modification of County's Fund Balance Policy

WHEREAS, the Finance Committee and county staff both deemed it appropriate to review the County's current Fund Balance Policy, and

WHEREAS, changes in governmental accounting standards, changes in national association best practices, the current economic climate, and the sale of Countryside Home have all occurred since the policy was last amended by the County Board in October 2007, and

WHEREAS, the Finance Committee has worked with Ehlers & Associates, the County's independent financial advising firm, and Clifton Gunderson LLP, the County's independent auditing firm, to develop a new Fund Balance Policy,

NOW, THEREFORE, BE IT RESOLVED that the Fund Balance Policy listed below is hereby adopted by the Jefferson County Board of Supervisors, rescinding the prior policy adopted in Resolution 2007-62.

Jefferson County
Fund Balance Policy

Jefferson County finds that is essential to maintain an adequate level of fund balance in order to:

- adapt to revenue shortfalls and/or unanticipated expenditures,
- help ensure stable tax rates, and
- provide a measure of liquidity for normal operations while at the same time keeping the County's long range investments intact.

As such, Jefferson County has elected to implement a Fund Balance Policy guided by the "Best Practice" adopted by the GFOA (Government Finance Officers Association) Executive Board in October 2009. The Fund Balance Policy details are indicated below:

1. Jefferson County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Fund Balance Type Definitions.* All definitions within the Fund Balance Policy will be in agreement with GASB Statement No. 54.

2. GASB Statement No. 54 pertains only to governmental funds. Business type funds, such as the Highway Department, shall be assumed to follow GASB Statement No. 54 for the purposes of this policy only.

3. The County shall maintain a minimum of two (2) months of budgeted expenditures within the General Fund for "working capital." This "working capital" shall be maintained to help cover revenue shortfalls, unanticipated expenditures, stabilize the tax rate, and provide liquidity.

4. The Finance Committee shall strive to maintain three (3) months of budgeted expenditures within the General Fund for "working capital."

a. Should a budget proposed for adoption seek to utilize a portion of this additional "month" of "working capital," the reasoning for the usage of working capital shall be included in the budget document.
b. Within three months of the adoption of the proposed budget, unless already included in the budget document, the County Board shall be informed by the Finance Committee and/or the County Administrator as to either
    i. A plan to restore the three months of working capital and related time frame, or
    ii. The rationale for remaining between two (2) and three (3) months working capital.

5. Budgeted expenditures shall be defined as
    a. Total budgeted expenditures for the entire County in all governmental and business type funds for the immediate prior year (i.e. most recently adopted budget).
    b. Total budgeted expenditures shall include operating, capital, and debt expenditures.
    c. Any budgeted capital or debt expenditures funded through bond proceeds shall be excluded.

6. Any amount above three (3) months of budgeted expenditures shall be considered as the County's unassigned fund balance. During the preparation of the budget for the subsequent year, the Finance Committee shall recommend to the County Board its plan for usage of this unassigned fund balance. This usage shall be limited to:
    a. Fund capital outlay, being specific on purpose and timing of said outlay.
    b. Repayment of debt
    c. Reduction of tax levy

7. All departments shall transfer all remaining balances at year end to the General Fund, unless these balances are requested and approved to be non-lapsing.

8. Each department shall make a written preliminary request to the Finance Department by December 1st of each year for both discretionary and non-discretionary non-lapsing requests to be carried forward into the subsequent budget year. The Finance Committee at its first available meeting in December reviews these requests. Should the Finance Committee determine it will not support a discretionary non-lapsing request; the applicable department shall be informed so that they have until year end to determine a course of action.

9. Non-lapsing requests, both discretionary and non-discretionary, are defined below. Examples are included, but it should be noted that these lists are not all inclusive.

    a. Non-discretionary
        i. Non-spendable, because of their form. Examples include
            1. Inventory
            2. Delinquent property taxes
            3. Prepaid expenditures
        ii. Restricted, because of externally enforceable limitations on use. Examples include:
            1. Statutory limitations
            2. Specific donor limitations
            3. Signed contracts and/or purchase orders with vendors
            4. Specific state agency limitations
            5. Unspent bond proceeds.

b. Discretionary, which are classified as committed under GASB Statement No. 54. Examples include:
    i. Balances that result from funded depreciation, not already affected by signed contracts and/or purchase orders with vendors.
    ii. Available departmental surpluses wished to be used for future appropriations.
    iii. Special circumstances that shall be considered by the Finance Committee.

10. Final written requests for both discretionary and non-discretionary non-lapsing items are due to the Finance Department by February 15th of the succeeding year. Thereafter, the Finance Committee will propose a resolution to the County Board with their recommendations concerning carrying over of discretionary items. The resolution will, in the fiscal note, show the various categories.

11. In regards to vested employee benefits for governmental funds, the County specifically intends that such vested benefits (sick pay and vacation pay) shall include (a) 100% of the calculated liability for vested vacation pay and (b) 65% of vested sick pay , with both as “assigned” fund balances as defined under GASB Statement No. 54. While it may be argued that the County does not have to accrue this liability for governmental funds, the County has elected to fully fund this liability with an assigned fund balance.

Ayes _____25_________

Noes ______0________

Abstain _______________

Absent ______5________
(Kuhlman, Reese, Miller, Peterson, Zentner)

Fiscal Note: The Fund Balance Policy is applied each year by the Finance Committee during the creation of the tax levy for the subsequent year.

Requested by:
Finance Committee 9/13/10

David P. Ehlinger: 9/2/10
David P. Ehlinger and Philip C Ristow: 9/8/10
David P. Ehlinger: 9/9/10