



**DOUGLAS COUNTY**  
**ADMINISTRATIVE POLICIES AND PROCEDURES**

<b>TITLE</b> Commitment of Fund Balance	<b>Approval Date</b> 7/11/06
<b>POLICY CUSTODIAN</b> Finance	<b>Revision Date</b> 2-1-17

**PURPOSE:** To formalize the County’s practice of maintaining adequate fund balance levels for mitigating current and future risks of revenue shortfalls or unanticipated expenditures and to protect the County’s creditworthiness and financial position from unforeseen emergencies.

**DEPARTMENT RESPONSIBLE:** Finance

**DEPARTMENT(S) AFFECTED:** All

**POLICY:**

It shall be county policy to maintain appropriate levels of non-spendable, restricted, committed, assigned, and unassigned fund balances in order to conform to legal requirements and to ensure a continued strong financial position.

The Comprehensive Annual Financial Report (CAFR) shall show all fund balance classifications as required by Generally Accepted Accounting Principles (GAAP).

Non-spendable, restricted, committed, assigned, and unassigned fund balance levels shall be considered when developing and amending the County budget.

**Scope:**

This policy will apply to all funds approved by the Board of County Commissioners, including new funds when established.

## Definitions:

Fund Balance – Fund balance is the excess of assets over liabilities. Fund balance is accumulated when revenues exceed expenditures and decreased when revenues are less than expenditures.

Non-spendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in a spendable form or is legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation. Effectively, restrictions on fund balance may only be changed or lifted with the consent of resource providers.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes according to limitations imposed by the Board of County Commissioners prior to the end of the current fiscal year. The constraint may be removed or changed only by formal action of the Board of County Commissioners.

Assigned Fund Balance – The portion of fund balance set aside for planned or intended actions. The intended use may be expressed by the Board of County Commissioners or other individuals authorized to assign funds to be used for a specific purpose. In governmental funds other than the general fund, assigned fund balance represents the amount that is not non-spendable, restricted, or committed. This indicates that resources in these funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned Fund Balance – This is the residual portion of fund balance that does not meet any of the above criteria. The County will only report a positive unassigned fund balance in the General Fund.

## Fund Balance Classifications:

The appropriate fund balance classifications shall be included in each fund as necessary or required by GAAP. In the CAFR, all governmental funds report various fund classifications that comprise a hierarchy primarily based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Policy cannot consider every situation that could occur, therefore, the County Manager shall have discretion to deviate should circumstances warrant. However, the following descriptions are a guideline of what can be expected to be appropriate in each fund balance classification.

### Non-spendable

- Accounts Receivable – Long-term receivables for intergovernmental loans.
- Inventory – The value of inventories that are not expected to be converted into cash.
- Prepaid Items – The valued of the prepaid assets held as non-cash assets.

### Restricted

- TABOR Reserves – Amendment One to the state constitution (Article X, Section 20), passed by voters in 1992, requires that reserves equal to 3% of the fiscal year spending be established for declared emergencies.
- Grant Funding – Unspent grant funding that must be used for specific programs as stipulated by the Grantor.
- Debt Service Reserves – Any amounts required to be held according to creditor requirements.

### Committed

- Contractual Obligations – Resources specifically committed for use in satisfying contractual requirements. Could include amounts encumbered on outstanding purchase orders.
- Emergency Operating Funds – Funds set aside to meet operating expenses in the event of an emergency/disaster – as set forth in the County’s emergency operations policies.

### Assigned

- Working Capital / Revenue Shortfall –
  - Working Capital - calculated as the greater of \$100,000 or 10% of expenditures including transfers out, less capital outlay, less any legally enforced emergency reserves (TABOR), less electronic benefit transfers (EBT) and cost allocations.
  - Revenue Shortfall - calculated as follows:
    - Property Tax Funds - 5% of adopted revenues, not including transfers-in.
    - Sales and Use Tax Funds - the greater of \$100,000 or 10% of adopted revenues, not including transfers-in.
- Subsequent Year Expenditures – Appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget.
- Designated Projects – The estimated cost of planned or desired, but not required, specific projects as requested by the Board of County Commissioners or other authorized individuals.
- Residual Fund Balance – In governmental funds, other than the General Fund, assigned fund balance will include any amount that is not non-spendable, restricted, or committed. This indicates that these resources are, at a minimum, intended to be used for the purpose of that fund.

### Unassigned

- Residual Fund Balance – This is the residual fund balance classification for the General Fund and will contain any fund balance not already classified. If for any reason any other governmental fund should have a negative fund balance the negative fund balance would be reported as unassigned.

All county funds are included in the following matrix with the exception of the High Intensity Drug Trafficking Area (HITDA) Fund which Douglas County is a fiscal agent and does not have oversight of the fund balance.

<b>Fund Balance Categories by Fund Matrix</b>				
<b>Fund Balance Categories:</b>	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Human Services Fund</b>	<b>Developmental Disabilities Fund</b>
<b>Non-Spendable</b>				
Accounts Receivable	X	X		
Inventory	X	X		
Prepaid Items	X	X		
<b>Restricted</b>				
TABOR Reserves	For all County Funds			
Grant Funding	X	X	X	
Debt Service Reserves				
<b>Committed</b>				
Contractual Obligations	X	X	X	X
Emergency Operating Funding	X			
<b>Assigned</b>				
Working Capital/Revenue Shortfall	X	X	X	X
Subsequent Years Expenditures	X	X	X	X
Designated Projects	X	X	X	
Residual Fund Balance	X	Not Less than \$200,000	Not Less than \$100,000	Not Required
<b>Unassigned (Only General Fund)</b>				
Residual Fund Balance	Not less than \$200,000			

<b>Fund Balance Categories by Fund Matrix</b>				
<b>Fund Balance Categories:</b>	<b>LEA Fund</b>	<b>Road Sales &amp; Use Tax Fund</b>	<b>Justice Center Sales &amp; Use Tax Fund</b>	<b>Open Space Sales &amp; Use Tax Fund</b>
<b>Non-Spendable</b>				
Accounts Receivable	X			
Inventory	X			
Prepaid Items	X			
<b>Restricted</b>				
TABOR Reserves	For all LEA Funds			
Grant Funding	X	X		X
Debt Service Reserves		X		X
<b>Committed</b>				
Contractual Obligations	X	X	X	X
Emergency Operating Funding				
<b>Assigned</b>				
Working Capital/Revenue Shortfall	X	X	X	X
Subsequent Years Expenditures	X	X	X	X
Designated Projects	X	X	X	X
Residual Fund Balance	Not Less than \$100,000	Not Less than \$200,000	Not Less than \$50,000	Not Less than \$100,000

<b>Fund Balance Categories by Fund Matrix</b>				
<b>Fund Balance Categories:</b>	<b>Parks Sales &amp; Use Tax Fund</b>	<b>Conservation Trust Fund</b>	<b>DC Lincoln Station LID Fund</b>	<b>Solid Waste Disposal Fund</b>
<b>Non-Spendable</b>				
Accounts Receivable				
Inventory				
Prepaid Items				
<b>Restricted</b>				
TABOR Reserves				
Grant Funding	X	X		
Debt Service Reserves	X			
<b>Committed</b>				
Contractual Obligations	X	X		X
Emergency Operating Funding				
<b>Assigned</b>				
Working Capital/Revenue Shortfall	X	X		
Subsequent Years Expenditures	X	X		X
Designated Projects	X	X		
Residual Fund Balance	Not Less than \$50,000	Not Less than \$50,000	Not Required	Not Less than \$10,000

<b>Fund Balance Categories by Fund Matrix</b>				
<b>Fund Balance Categories:</b>	<b>Woodmoor Mountain GID Fund</b>	<b>Capital Expenditures Fund</b>	<b>LID Capital Construction Fund</b>	<b>Capital Replacement Fund</b>
<b>Non-Spendable</b>				
Accounts Receivable				
Inventory				
Prepaid Items				
<b>Restricted</b>				
TABOR Reserves	X			
Grant Funding				
Debt Service Reserves				
<b>Committed</b>				
Contractual Obligations	X	X		
Emergency Operating Funding				
<b>Assigned</b>				
Working Capital/Revenue Shortfall		X		
Subsequent Years Expenditures	X	X	X	X
Designated Projects		X		
Residual Fund Balance	Not Required	Not Less than \$50,000	Not Less than \$10,000	Not Required

<b>Fund Balance Categories by Fund Matrix</b>				
<b>Fund Balance Categories:</b>	<b>Debt Service Fund</b>	<b>Employee Benefits Self-Insurance Fund</b>	<b>Liability and Property Self-Insurance Fund</b>	<b>Medical Self-Insurance Fund</b>
<b>Non-Spendable</b>				
Accounts Receivable				
Inventory				
Prepaid Items				
<b>Restricted</b>				
TABOR Reserves				
Grant Funding				
Debt Service Reserves				
<b>Committed</b>				
Contractual Obligations		X	X	
Emergency Operating Funding				
<b>Assigned</b>				
Working Capital/Revenue Shortfall				
Subsequent Years Expenditures	X	X	X	X
Designated Projects				
Residual Fund Balance	Not Less than \$50,000	Not Less than \$250,000	Not Less than \$250,000	Minimum 5% of Claims