



# Fund Balance Policy

Board of County Commissioners  
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# Presentation Overview

- County's Accounting Structure
- General Fund Operating Reserve
- GASB 54 Requirements
  - Fund Balance Policy Key Components
- Discussion



# County Compliance

- County is a local government entity
  - Arm of the State
  - Federal Legislation (SEC) Requires
    - Compile Annually Financial Statements in accordance with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB)
    - Annual Independent Audit (External Auditors) in accordance with Generally Accepted Auditing Standards (GAAS)
  - State Statute also requires an Independent Audit



# Fund Accounting

- Basic Accounting Principles for local government require “Fund Accounting”
  - “Fund” is a “fiscal and accounting entity with a self balancing set of accounts”
  - “Fund Types” are determined based on resources (revenue sources) and type of operational activity
  - County has 15 different “funds”

*\*Effectively how we account for the activities occurring within El Paso County is legally defined for us*



# Fund Balance

- Fund Balance is the cumulative difference of revenues over expenditures or Assets less liabilities
  - Same as:
    - Savings
    - Reserves
    - Equity
    - Working Capital
    - Retained Earnings



# Fund Balance

- GASB 54 states the “only fund typically having a fund balance policy is the General Fund”
  - This is based on the fact that typically core revenues flow through the General Fund
    - Thus, the General Fund supports or provides funding as needed to cover shortfalls in the other funds
    - This is consistent with how El Paso County operates



# Fund Balance

- Generally speaking, with the exception of the General Fund, the other County funds retain fund balance accordingly:
  1. The activity in those funds is legally restricted to those funds and therefore, dollars cannot be moved between the various accounting funds
  2. For cash flows – to cover the timing of revenues coming in and expenditures going out



# 2012 County Fund Balance Estimates

	January 1, 2012 Estimated Beginning Fund Balance	2012 Original + Adopted Budget Revenues	2012 Original - Adopted Budget = Expenditures	December 31, 2012 Estimated Available Fund Balance	Estimated Restricted Fund Balance	Estimated Available Fund Balance
General Fund -Net-UR	\$21,836,748	\$86,692,775	(\$100,080,667)	\$8,448,856	\$0	\$8,448,856
<i>Emergency Reserve* - General Fui</i>	<i>2,214,785</i>	<i>0</i>	<i>0</i>	<i>\$2,214,785</i>	<i>2,214,785</i>	<i>0</i>
<i>Emergency Reserve* - Restricted F</i>	<i>3,000,000</i>	<i>0</i>	<i>0</i>	<i>\$3,000,000</i>	<i>3,000,000</i>	<i>0</i>
<i>Fund Flow Transfer- Road &amp; Bridge</i>	<i>2,500,000</i>	<i>0</i>	<i>0</i>	<i>\$2,500,000</i>	<i>2,500,000</i>	<i>0</i>
General Fund -RES*	3,000,000	15,204,484	(18,013,927)	\$190,557	190,557	0
<b>Total General Fund</b>	<b>\$32,551,533</b>	<b>\$101,897,259</b>	<b>(\$118,094,594)</b>	<b>\$16,354,198</b>	<b>\$7,905,342</b>	<b>\$8,448,856</b>
Road & Bridge & Fleet	\$1,389,395	\$17,514,116	(\$17,610,250)	\$1,293,261	\$816,785	\$476,476
R&B Escrow	\$0	\$819,656	(\$819,656)	\$0	\$0	\$0
Department of Human Services	\$332,766	\$52,500,000	(\$52,500,000)	\$332,766	\$0	\$332,766
Community Investment	\$721,931	\$20,354,291	(\$20,466,652)	\$609,570	\$0	\$609,570
Self-Insurance	\$13,201,990	\$19,827,386	(\$24,834,719)	\$8,194,657	\$7,200,000	\$994,657
Conservation Trust*	\$650,740	\$1,210,000	(\$1,300,459)	\$560,281	\$560,281	\$0
Retirement	\$987,450	\$8,012,471	(\$8,093,698)	\$906,223	\$729,846	\$176,377
Pension Trust*	\$85,708	\$247,000	(\$247,000)	\$85,708	\$85,708	\$0
School's Trust*	\$22,696	\$100,000	(\$100,000)	\$22,696	\$22,696	\$0
Solid Waste Management*	\$309,763	\$938,192	(\$938,192)	\$309,763	\$309,763	\$0
Economic Development*	\$85,000	\$5,012,500	(\$5,012,500)	\$85,000	\$85,000	\$0
Pikes Peak Workforce *	\$0	\$7,254,054	(\$7,254,054)	\$0	\$0	\$0
Local Improvement Districts*	\$100,875	\$111,500	(\$111,500)	\$100,875	\$100,875	\$0
<b>Total</b>	<b>\$50,439,847</b>	<b>\$235,798,425 +</b>	<b>(\$257,383,274)</b>	<b>\$28,854,998</b>	<b>\$17,816,296</b>	<b>\$11,038,702</b>

\* Legacy Restricted Funds, not available for general use



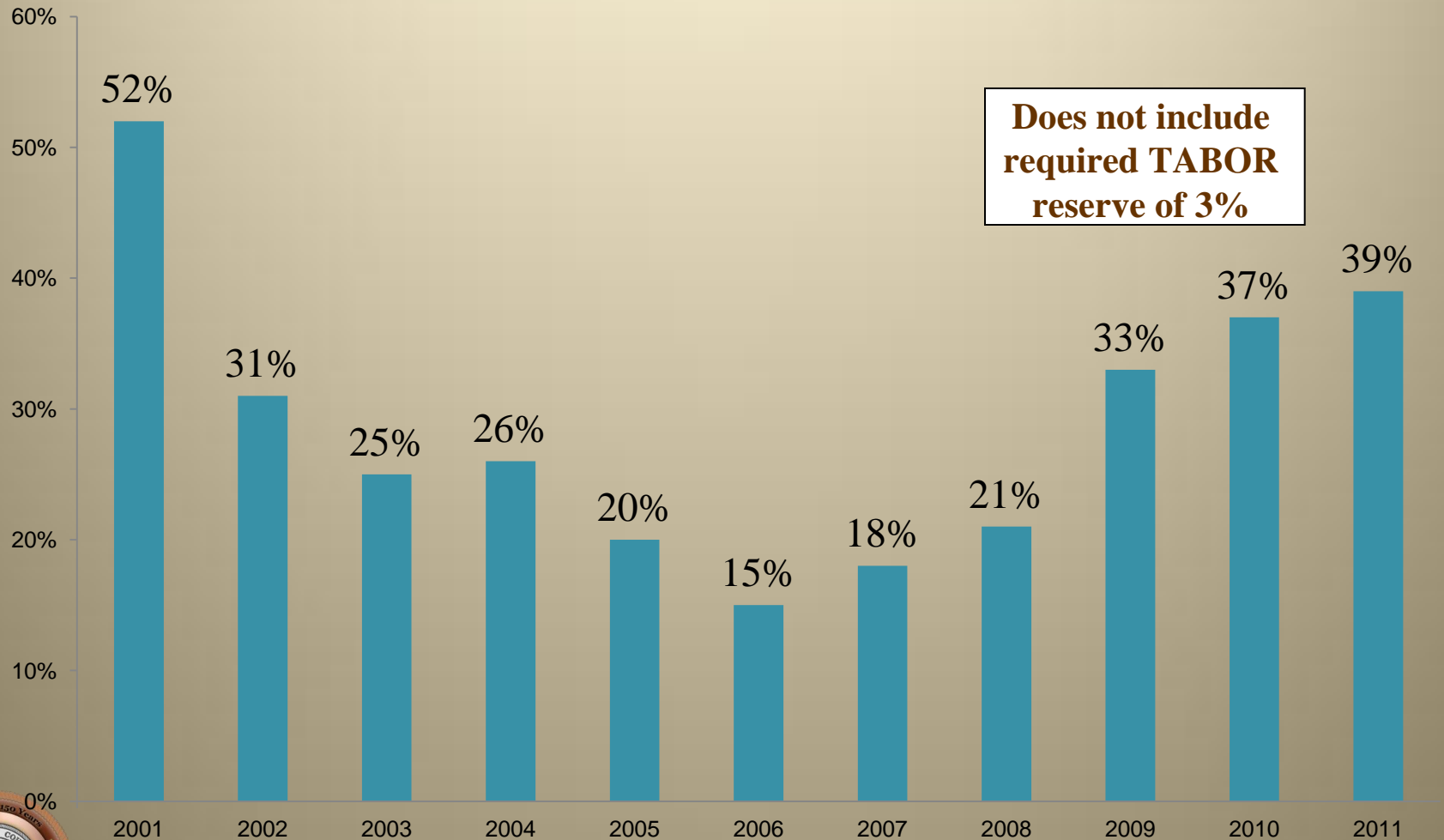
# Fund Balance Overview: General Fund

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- For El Paso County budgeting purposes, to provide additional transparency, we split the General Fund into two components:
  - Restricted & Unrestricted

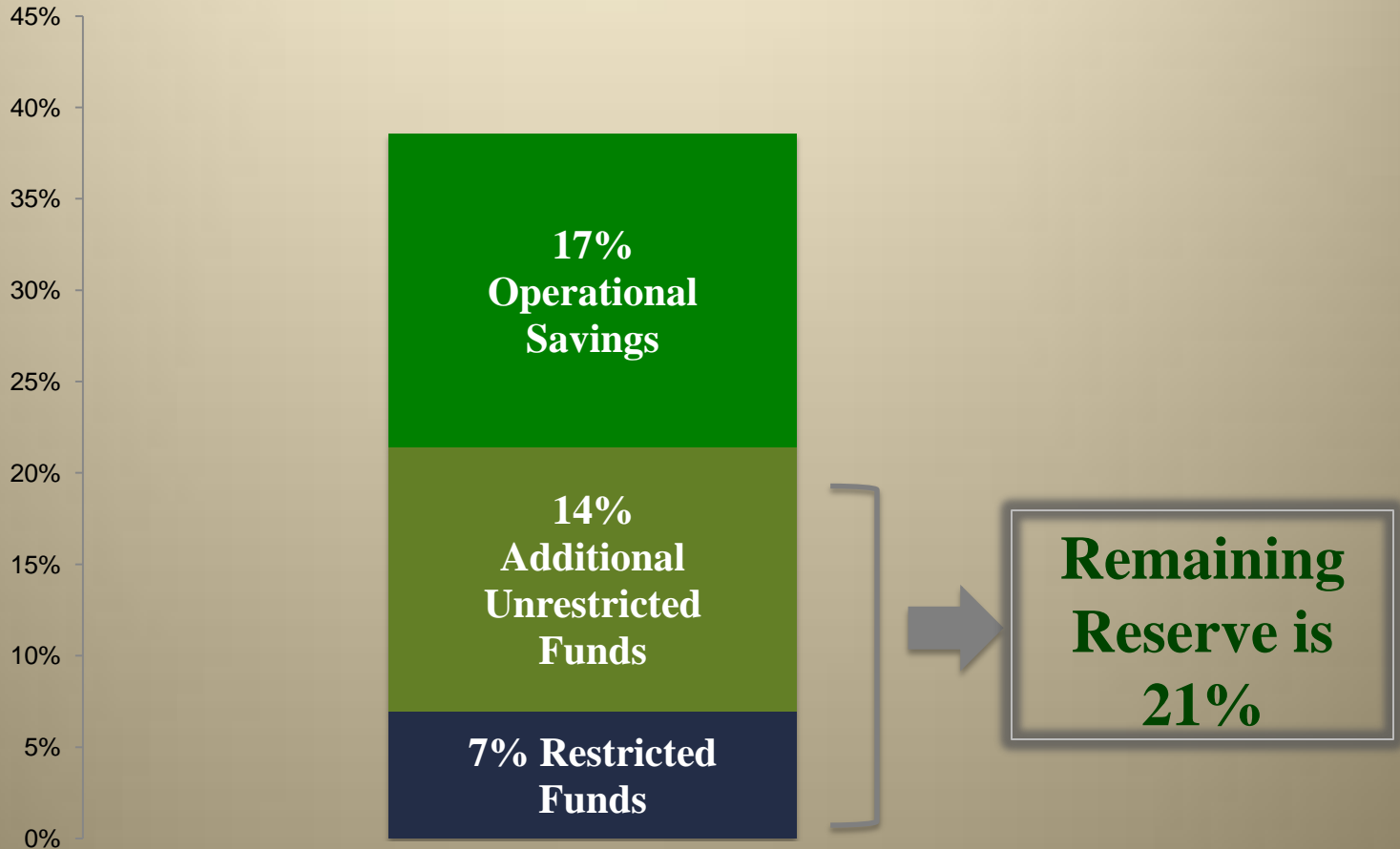


# 2012 Preliminary Balanced Budget

## Historical Percentage of Operational Reserves



# 2012 Preliminary Balanced Budget Breakdown of 39% Operational Reserve



# GASB 54 – Fund Balance Policy

## Minimum Requirements

1. Appropriate Minimum Level of Unrestricted Fund Balance to be maintained
2. Circumstances in Which Fund Balance can be Spent Down
3. Policy for Replenishing Deficiencies
4. Based on Revenues or Expenditures
5. What fund balance components do we include?



# GASB 54 – Fund Balance Policy

## Minimum Requirements

1. Appropriate Level of Unrestricted Fund Balance to be maintained
  1. Can be either a set amount or a range between a minimum or maximum
  2. Can be set as either an amount or percentage or days of cash flow
    - *20% - 25% of Unrestricted General Fund*



# GASB 54 – Fund Balance Policy

## Minimum Requirements

### 2. Circumstances in Which Fund Balance can be Spent Down

Examples:

1. Economic Downturn?
2. Natural Disaster - Unforeseen Emergencies?
3. Unfunded Mandates?
4. Temporary downturn in Revenue Streams?
5. Elimination of Revenues Streams?
6. Forecasted One-Time or Temporary large costs?



# GASB 54 – Fund Balance Policy

## Minimum Requirements

### 2. Circumstances in Which Fund Balance can be Spent Down

- *Revenues received are at least 4% less than budgeted due to economic conditions*
- *Federally declared natural disasters within the County*
- *Elimination of core (tax related, non-grant) revenue streams, such as:*
  - *Sales and/or Use Tax*
  - *Property Tax*
  - *Clerk and Recorder Fees*
  - *Specific Ownership Tax*
- *BoCC determined emergency of one-time cost*



# GASB 54 – Fund Balance Policy

## Minimum Requirements

### 3. Policy for Replenishing Deficiencies

#### Components to Consider:

1. Timeframe
2. Utilization of other revenue streams
3. Forecasting Models
  - *Adjust the five year financial projection so that spending is adjusted down (or economic recovery predicted) and desired levels of unrestricted fund balance are replenished*
  - *Natural Disaster*



# GASB 54 – Fund Balance Policy

## Minimum Requirements

### 4. Based on Revenues or Expenditures

- State Statute requires that expenditures do not exceed revenues and available fund balances
- Since the fund balance is added to revenue to arrive at “available funds”, the policy should be based on expenditures
- Traditionally, the basis used is Expenditures
  - *Based on Expenditures*



# GASB 54 – Fund Balance Policy

## Minimum Requirements

5. What fund balance components do we include?
  1. TABOR?
  2. Cash Flow?
  3. Restricted Components?
  4. Operational Reserves?
    - *All of the Above?*



# Next Steps

- Draft of Fund Balance Policy is attached
- Discussion & Possible Direction
- December 1<sup>st</sup> – BoCC Approves Fund Balance Policy

## Questions?

