

## FUND BALANCE POLICY

### 220.1 Background and Purpose

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. Adequate levels of fund balance are essential to protect against reducing service levels because of temporary revenue shortfalls or unanticipated expenditures. Fund balance helps to ensure stable tax rates because it can be used to cover revenue shortfalls instead of increasing taxes. It provides resources during the time it takes to develop and implement a longer term financial solution. Fund balance is also crucial in long-term financial planning and financing as credit markets carefully monitor levels of fund balance to evaluate creditworthiness.

The necessity for adequate fund balances needs to be balanced with pressures from taxpayers and citizens' groups, which may view some levels of fund balance as "excessive".

In addition, from time to time, the Board of Supervisors or Management may wish to set aside adequate funds for various legitimate purposes, which may be critical to the successful and stable operations of certain programs.

The purpose of this policy is to provide guidance as to the composition and appropriate use of Fund Balances.

### 220.2 Components of Fund Balance

The following individual items shall constitute the Fund Balance:

- A. **Nonspendable Fund Balance** – Amounts that cannot be spent due to form (such as inventories and prepaid amounts), and/or amounts that must be maintained legally intact or contractually intact (such as principal of a permanent fund).
- B. **Restricted Fund Balance** - Amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- C. **Committed Fund Balance** – Amounts constrained for a specific purpose by the Board of Supervisors using its highest level of decision-making

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authority. It would require another action of the Board of Supervisors to remove or change the constraints placed on the resources. Commitments must be established.

- D. **Assigned Fund Balance** – Amounts constrained for a specific purpose by the County Administrator, who has been given the delegated authority to assign amounts by the Board of Supervisors. The amount reported as assigned should not result in a deficit in unassigned fund balance.
- E. **Unassigned Fund Balance** – Amounts not classified as nonspendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in the unassigned fund balance.

### 220.3 Funding Requirements of Unassigned Fund Balance of General Fund

- A. It has been identified that a minimum of 15% of budgeted governmental fund expenditures, less any Capital Outlay projects funded with bond proceeds, is needed to safeguard the County's fiscal liquidity, or cash flow needs, to execute the approved annual budget. The County will strive to maintain an unassigned fund balance between 14%-16%.
- B. The use of the unassigned fund balance will be permitted to provide for temporary funding of unforeseen emergency needs.
- C. If, after the conclusion of the preceding fiscal year annual audit, net the approved use during the budgeted fiscal year, the unassigned fund balance falls below an amount equal to 14% of budgeted governmental fund expenditures, a plan to replenish the fund balance within twelve months will be presented to the Board of Supervisors.
- D. Unassigned fund balance represents the residual fund balance after the nonspendable, restricted, committed and assigned fund balance categories are deducted.

### 220.4 Monitoring and Funding

- A. After the publication of the annual Comprehensive Annual Financial Report, the County shall prepare a report documenting compliance with this Policy.

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- B. In addition, the County shall annually demonstrate that it will comply with this Policy based on its proposed Operating and Capital Budget for each year.

**220.5 Committed Amounts in the General Fund**

- A. The Tourism Project Fund will maintain a committed fund balance equal to the amount of transient lodging tax and program revenue collected less the appropriate expenses for the program.
- B. The Mosquito Control Fund will maintain a committed fund balance equal to the additional real estate tax paid for this program less the appropriate expenses for the program.
- C. The Cable Services Fund will maintain a committed fund balance equal to two-fifths (2/5) of the cable television franchise fees collected less the appropriate expenses for the program.
- D. The Community Donation Fund will maintain a committed fund balance equal to the amount of donations collected less the appropriate expenses as designated for the donation.
- E. The Probation and Pretrial Fund will maintain a committed fund balance equal to the amount of grant and program revenue collected, as well as regional member contributions, less the appropriate expenses for the program.
- F. The Daffodil Festival Fund will maintain a committed fund balance equal to the amount of festival revenue collected less the appropriate expenses for the festival.
- G. The Facilities Maintenance and Replacement Fund will maintain a committed fund balance equal to the amount of the annual appropriation less the appropriate expenses for Capital Outlay items (see County Facilities, Maintenance, Repair, and Replacement Fund Policy).

**220.6 Committed Amounts in Other Funds**

- A. The Capital Fund will maintain a committed fund balance for future older adult projects equal to the balance contained in a separate interest bearing account entitled "Gloucester County Older Adult Facility Fund".
- B. The Capital Fund will maintain a committed fund balance, which will be Designated for Future Capital Projects, equal to the amount transferred by resolution of the Board of Supervisors less the appropriate expenses as designated by the Board of Supervisors.
- C. Fund balances in the School Fund and any other governmental funds

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(other than Capital Funds or Debt Funds) are amounts committed for specific purposes by the Board or assigned for specific purposes by the County Administrator. These governmental funds are otherwise funded by the General Fund with any surplus at year end reverting back to the General Fund.

**220.7      Assigned Amounts**

- A.      Assignment of fund balance represents plans by management.
- B.      Such designations should be supported by plans approved by either the Board of Supervisors or the County Administrator.

**220.8      Availability of Fund Balance Policy**

A copy of the Fund Balance Policy shall be available for review in the County Administration Department during normal business hours. A copy shall also be posted on the County's Internet website.