

**Resolution 2019-33**  
**Kootenai County Fund Balance Policy**  
**(Supersedes Resolution 2017-35)**

**WHEREAS**, the Board has determined it is best to supersede Resolution 2017-35 in order to simplify and add clarity to the policy; and

**WHEREAS**, the intent of this fund balance policy is to provide direction and guidance to maintain a prudent level of financial resources to provide sufficient cash flow for fluctuations in revenue timing, maintaining current service levels, providing for emergencies or nonrecurring unanticipated expenditures, and for minimal increases in service delivery costs; and

**WHEREAS**, this policy is to mitigate current and future risks, to address long-term financial planning and to preserve the integrity of the bond rating of the County and to protect against temporary revenue shortfalls or unexpected one-time expenditures. This policy pertains to the governmental funds of Kootenai County and excludes net position of Solid Waste, Trust Funds and Agency Funds; and

**WHEREAS**, this policy is to adopt a fiscally sound policy relating to a fund balance while maintaining an appropriate balance which is not overly excessive or operating as a means to hold and invest funds. To provide our citizens with fiscally prudent fund balances which are not excessive but if so, the requirement to reduce the funds when the maximum is exceeded; and

**WHEREAS**, this policy is in accordance with generally accepted governmental accounting principles and in compliance with the Idaho Constitution, the Idaho County Budget Law, Idaho Code § 31-1601, *et. seq.*, and Idaho Code § 33-1501, *et. seq.*

**WHEREAS**, after evaluating the County's operating characteristics, tax base, reliability of non-property tax revenue sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk, and other contingent issues, the Board of County Commissioners establishes the following policy regarding Fund Balances in Kootenai County; and

**WHEREAS**, the Government Finance Officers Association (GFOA) recommends that governments establish a formal policy regarding the appropriate level and spending priority of fund balance that should be maintained in the County's Governmental funds. Kootenai County recognizes the financial importance of maintaining a stable, appropriate level of unassigned fund balances in the General Fund; and

**WHEREAS**, the Fund Balance Policy 2017-35 is now superseded and replaced by this resolution; and

**NOW THEREFORE, BE IT HEREBY RESOLVED** by the Board of County Commissioners of Kootenai County, that Fund Balance Policy 2019-33 be adopted.

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Upon a motion to adopt the text of the foregoing Resolution made by Commissioner Duncan, seconded by Commissioner Brooks, the following vote was recorded:

Commissioner Brooks: Aye  
Commissioner Duncan: Aye  
Chairman Fillios: Aye

Upon said roll call, the text of the foregoing was duly enacted as a Resolution of the Board of County Commissioners of Kootenai County, Idaho on the 19th day of March 2019.

KOOTENAI COUNTY  
BOARD OF COMMISSIONERS

\_\_\_\_\_  
Chris Fillios, Chairman

\_\_\_\_\_  
Leslie Duncan, Commissioner

\_\_\_\_\_  
Bill Brooks, Commissioner

ATTEST:  
JIM BRANNON, CLERK

By: \_\_\_\_\_

### **Fund Balance Policy: General Definitions**

***Fund Balance:*** Fund balance represents the difference between fund assets and fund liabilities. Fund balance is intended to serve as a measure of the financial resources available in a governmental fund.

***Fund Balance Target:*** A fund balance target is the amount to maintain as a specific fund balance. The target for each fund is 25% of annual *operational expenses* (A and B budgets). This practice takes into account the predictability of revenues, volatility of expenditures, and liquidity requirements of each fund. Adequate fund balance is necessary for unanticipated expenditures. It is particularly critical that major funds (General, Justice, Replacement Reserve and Liability Insurance) have adequate reserves.

**Expenditures and Operating Expenditures:** Expenditures are all uses of financial resources, budgeted for any purpose, and include operating and capital expenses, debt service, and transfers to other funds. Operating expenditures are uses of financial resources for personnel, supplies, services and materials, and exclude capital expenses, debt service, and transfers to or from other funds.

**Revenues and Operating Revenues:** Revenues are sources of funds generating from any source, including taxes and fees. Operating revenues are those actual revenues reported in the County's audited Comprehensive Annual Financial Report (CAFR) in the "Statement of Revenues, Expenditures and Changes in Fund Balances" and exclude transfers to or from other funds and bond proceeds.

## **Fund Classifications**

**Nonspendable Fund Balance:** Nonspendable County resources cannot be spent or will never be converted to cash because of the nature of the asset. Examples include prepaid assets and inventories.

**Restricted Fund Balance:** Restricted fund balance reflects resources subject to limitations imposed by creditors, grantors, contributors or law and regulations of other governments or limitations imposed by law through constitutional provisions or enabling legislation. Restricted funds can only be spent according to their defined legal use.

**Committed Fund Balance:** Committed fund balance reflects resources subject to a self-imposed limitation. The limitation is imposed at the highest level of decision-making and requires formal action at the same level to remove. This would occur annually via a resolution approved by the Board of County Commissioners. This fund balance type is formally budgeted and is often referred to as "appropriated."

**Assigned Fund Balance:** The portion of fund balance which reflects a government's intended use of resources. Such intent is established by the Board of County Commissioners through resolution. Note this is a placeholder of resources and not formally budgeted.

**Unassigned Fund Balance:** Unassigned fund balance is available financial resources that have not been obligated, assigned, or committed for a specific purpose. Unassigned Fund Balance represents necessary reserves for cash flow purposes. Positive unassigned fund balances may only be carried in the County's General Funds – 10, 11, 13 and 15.

**Proprietary Funds:** Proprietary funds account for ongoing organizations and activities of a government, which are similar to those found in the private sector. The measurement focus is upon the determination of net income. Kootenai County has two proprietary fund types, an enterprise fund used to account for solid waste disposal activities and an internal service fund to account for self-insured health services. This policy does not apply to proprietary funds.

The following are the County's governmental fund types:

**General Fund:** The General Fund is the government's primary operating fund and include funds 10, 11, 13 and 15. It accounts for services that include General Government, Justice Fund including public safety and jails, the Replacement Reserve/Acquisition fund and Liability Insurance. The General Fund includes all financial resources of the general government except those required to be accounted for in another fund.

**Special Revenue Funds:** Special revenue funds account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts, such as grants) which are legally restricted to expenditures for specified purposes. Specific examples include Airport, District Court, Health District, Indigent or County Assistance, Parks & Waterways, and Revaluation Services. By definition, Fund Balance for Special Revenue Funds maintain an accumulated fund balance as Restricted Fund Balance unless otherwise classified in another fund balance category.

**Capital Projects Fund:** Fund 50 - Capital projects fund accounts for financial resources used for the construction of major capital assets (other than those financed by proprietary funds) to be owned by the county. Revenue sources include federal grants, transfers in from the General Fund, and bond proceeds. This fund is used for all grant-related construction projects.

### **Unassigned Fund Balance Policy**

**General Fund:** The General fund is the County's primary operating fund and represents the most flexible source available as it can be used for a variety of County purposes. It accounts for services that include General Government, Liability and Health Insurance. The General Fund includes all financial resources of the general government except those required to be accounted for in another fund.

**Justice Fund:** the Justice Fund includes the Commissioner's general justice, the office of the Public Defender, the Juvenile Detention Center, Adult Misdemeanor Probation and Juvenile Probation. The Prosecuting Attorney's administration and criminal division stem from this fund. In addition, this fund is utilized for the Sheriffs operations, specifically the administration, Civil department, Animal Control, Patrol division, Detectives division, Driver's Licensing, Records, Special Response, Search & Rescue, and Jail operations and maintenance.

The policy will be for the County to establish and maintain a General Fund and Justice Fund Balance of:

1. The combined, unassigned General Fund and Justice Fund balances are to be maintained at a level of 2 months' expenditures of total county-wide personnel and operating expenses based on the prior year's budget or projected current year expenditures, whichever greater.
2. When either or both funds exceed the 2 months' expenditure level, the excess funds should be assigned to a fund for a specific, designated use.
3. Prior year assignments will also be reviewed during this annual process.
4. If adequate reserves are not available, other sources of liquidity will be considered by the Board to ensure cash flows to meet current obligations.

As part of the annual budget process, the Clerk/Auditor shall estimate the surplus or deficit for the current year and prepare a projection of the year-end fund balance levels along with other operational considerations. Such projection will include an analysis of trends in expenditures and fund balance levels on a historical and future projection basis.

**Shortfall:**

If it is determined there is a shortfall in a nonmajor fund, the General Fund must cover the shortfall through interfund transfer using assigned and/or unassigned funds. The unassigned General Fund balance is to be restored by the previous shortfall amount within the following year's budget cycle from the nonmajor fund. Interfund transfers are made through a Board of County Commissioners resolution in compliance with Idaho Code § 31-1508, and all other applicable state laws.

**Planning and Performance:**

Compliance with fund balance policy will be reviewed in conjunction with:

- Preparation and Adoption of a Capital Projects Plan
- The Budget Process
- The Audit of the Annual Financial Statements
- Any changes made to the Original Budget throughout the Current Fiscal Year
- Investment Policy for Kootenai County

No appropriation of fund balance for recurring operational expenditures shall be made unless a plan for permanent funding of such expenditures is also approved at the time of appropriation.

The Clerk/Auditor shall from time to time recommend amendments to the Fund Balance Policy to assure compliance with prevailing generally accepted accounting procedures.