



BOISE COUNTY

RESOLUTION #2013-2 A BOISE COUNTY RESOLUTION ADOPTING FINANCIAL POLICIES

WHEREAS, Boise County, Idaho (the "County") is a duly organized and existing county under the laws and Constitution of the State of Idaho; and

WHEREAS, the County is mandated by I.C. 67-450B to have its financial statements audited; and

WHEREAS, a pronouncement, GASB Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions was adopted as part of the FY 2011 audited financial statements; and

WHEREAS, a component of GASB Statement 54 requires the County to report fund balance designations as: non-spendable, restricted, committed, assigned or unassigned; and

WHEREAS, in order to report the fund balance designations, the County must have a financial policy in place that outlines what it considers committed, assigned and unassigned fund balances; and

WHEREAS, the financial policy also needs to address the order in which the County spends its resources; and

WHEREAS, the current practice for cash basis, minimum fund balance and subsequent year's expenditures also need to be a part of the financial policy;

NOW THEREFORE BE IT RESOLVED, that the Board of Boise County Commissioners does hereby adopt the following five financial policies that are attached hereto as Exhibits A through E:

- Committed, Assigned and Unassigned Fund Balance – Exhibit A
- Order of Spending Resources – Exhibit B
- Cash Basis – Exhibit C
- Minimum Fund Balance – Exhibit D
- Subsequent Year's Expenditures – Exhibit E

APPROVED and **ADOPTED** in Open Session on the 22nd day of October, 2012.

BOISE COUNTY BOARD OF COMMISSIONERS



ROBERT A. FRY, Chairman



TERRY C. DAY, Commissioner



JAMIE A. ANDERSON, Commissioner



Mary T. Prisco
Mary T. Prisco, Clerk to the Board

EXHIBIT A
BOISE COUNTY FINANCIAL POLICY

SUBJECT: COMMITTED, ASSIGNED AND UNASSIGNED FUND BALANCE

PURPOSE: To outline in policy what committed, assigned and unassigned fund balance is and how it is determined.

BACKGROUND: GASB Statement #54 – Fund Balance Reporting and Governmental Fund Type Definitions issued February 2009. Required initial implementation for Boise County is for the fiscal year ended September 30, 2011, audited financial statements.

DEFINITIONS:

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

Non-spendable Fund Balance: Non-spendable fund balance is when assets are never converted to cash (prepaids or inventory) or won't convert to cash soon enough for the current period (long term portions of notes receivable or non-financial assets held for resale i.e. foreclosures) or resources that must be maintained intact pursuant to legal or contractual requirements (the principle of an endowment or capital of a revolving loan fund).

Restricted: Restricted fund balance is where limitations are imposed by creditors, grantors, contributors or law and regulations of other governments or limitations imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance: Committed fund balance is where a self-imposed limitation is set in place prior to the end of the period. The limitation is imposed at the highest level of decision-making that requires formal action at the same level to remove. This would occur annually via a resolution approved by the Board of County Commissioners.

Assigned Fund Balance: Assigned fund balance is where a limitation results from intended uses either by: 1) highest level of decision-making, 2) body designated for that purpose or 3) official designated for that purpose. This would occur every year by the Board of County Commissioners and/or the Elected Official or Department Director and done in conjunction with the close of the fiscal year.

Unassigned Fund Balance: Residual net resources – total fund balance in excess of the other classifications (surplus) or excess of the other classifications over total fund balance (deficit).

COMMITTED FUND BALANCE:

Subsequent Years Expenditures

During the budget process, for the subsequent year, departments may request the use of fund balance to support their budget requests where expenditures exceed revenues and taxes. This request is formalized during a public hearing (Per I.C. Section 31, Chapter 16, the county must adopt a final budget on or before the first Tuesday after the first Monday in September) in which the County Commissioners take comments; upon conclusion of the hearing, the County Commissioners legally adopt the budget by a resolution in the official minutes of the Board. *See Subsequent Years Expenditures Policy.*

Cash Basis

Current property tax collections are not available until the fourth month of the fiscal year, therefore, fund balance must provide for cash flow during the fiscal year to alleviate the timing difference between receipt of revenues and disbursement of expenditures. An estimate of the cash basis requirement will be prepared annually in conjunction with the budget process. Some self-supporting funds may have enough revenue coming in the first three months to cover their expenditures; therefore, not every fund will be required to commit fund balance for cash basis. *See Cash Basis Policy.*

Minimum Fund Balance

Fund balance ranges are established for each fund that contains operating expenses. The ranges set for each fund are based on the predictability of revenues, volatility of expenditures and liquidity requirements of each fund and shall be reviewed periodically. Adequate fund balance ranges are necessary for purposes of unanticipated expenditures and to meet desired reserves. They serve as “budget stabilization/rainy day funds”. The county maintains a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or emergencies, or for nonrecurring unanticipated expenditures and small increases in service delivery costs. The Board of County Commissioners, by a two-thirds vote, can declare a fiscal emergency and withdraw a portion of this balance to address the emergency. Any such action must also provide for necessary appropriations to restore the amount of the withdrawal within one year.

The minimum fund balance range in all funds is to be maintained at a level between 10% and 30% of actual operating revenues. *See Minimum Fund Balance Policy, Exhibit D.*

ASSIGNED FUND BALANCE:

Capital Improvements

At the close of the fiscal year, during financial statement preparation; Elected Officials/Department Directors, at their discretion, may assign a portion of their fund balance to future capital improvements. This does not obligate the County Commissioners to include this assignment as a request in the department’s budget the following year. It does, however, give the department the opportunity to accumulate fund balance for one-time capital needs, reducing the need for the county to incur long-term debt.

Replacement Programs

At the close of the fiscal year, during financial statement preparation; Elected Officials/Department Directors, at their discretion, may assign a portion of their fund balance to replacement programs. Technological advances require replacement of equipment and software on a scheduled timetable. Fleet vehicles must also be replaced. This does not obligate the County Commissioners to include this assignment as a request in the department’s budget the following year.

Special Revenue Funds

Note: At this time, Boise County does not have any Special Revenue Funds. Residual amounts or fund balances in excess of non-spendable, restricted and committed in Special Revenue Funds are considered assigned.

If Special Revenue Funds are established in the future, such funds that do not meet the definition of “special revenue”, by having specific revenue sources and/or restrictions, they will be combined with the General Fund and their total fund balance will be considered “assigned” for their fund.

UNASSIGNED:

Residual Net Resources

Total fund balances in excess of non-spendable, restricted, committed and assigned fund balance, is known as 'surplus' and will become "unassigned". This amount is available for any purpose and only reported in the General Fund.

The excess of non-spendable, restricted and committed fund balances over total fund balance is known as a 'deficit'. These negative balances occurring in governmental funds would be presented as 'negative' "unassigned".

EXHIBIT B
BOISE COUNTY FINANCIAL POLICY

SUBJECT: ORDER OF SPENDING RESOURCES

PURPOSE: To outline in policy, the County's policy as it relates to the spending order of its resources. Should the County have no policy in place for spending resources, the default order of spending would be: 1) Restricted 2) Committed 3) Assigned and 4) Unassigned.

BACKGROUND: GASB Statement #54 – Fund Balance Reporting and Governmental Fund Type Definitions issued February 2009. Required initial implementation for Boise County is for the fiscal year ended September 30, 2011, audited financial statements.

DEFINITIONS:

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

Restricted Fund Balance: Restricted fund balance is where limitations are imposed by creditors, grantors, contributors or law and regulations of other governments or limitations imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance: Committed fund balance is where a self-imposed limitation is set in place prior to the end of the period. The limitation is imposed at the highest level of decision-making that requires formal action at the same level to remove. This would occur annually via a resolution approved by the Board of County Commissioners.

Assigned Fund Balance: Assigned fund balance is where a limitation results from intended uses either by: 1) highest level of decision-making, 2) body designated for that purpose or 3) official designated for that purpose. This would occur every year by either the Board of County Commissioners and/or the Elected Official or Department Director and done in conjunction with the close of the fiscal year.

Unassigned Fund Balance: Residual net resources – total fund balance in excess of the other classifications (surplus) or excess of the other classifications over total fund balance (deficit).

PREFERRED ORDER OF SPENDING:

- 1) RESTRICTED FUND BALANCE:
 - Excess Grant Revenue Over Expenditures
 - Enabling Legislation
- 2) COMMITTED FUND BALANCE:
 - Cash Basis
 - Minimum Fund Balance
- 3) ASSIGNED FUND BALANCE:
 - Capital Improvements
 - Replacement Programs
 - Special Revenue Funds
 - Subsequent Year's Expenditures
- 4) UNASSIGNED
 - Residual Net Resources

EXHIBIT C
BOISE COUNTY FINANCIAL POLICY

SUBJECT: CASH BASIS

PURPOSE: To outline in policy what cash basis is and how it is determined.

BACKGROUND: GASB Statement #54 – Fund Balance Reporting and Governmental Fund Type Definitions issued February 2009. Required initial implementation for Boise County is for the fiscal year ended September 30, 2011, audited financial statements.

DEFINITIONS:

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

Committed Fund Balance: Committed fund balance is where a self-imposed limitation is set in place prior to the closing of the period. The limitation is imposed at the highest level of decision-making that requires formal action at the same level to remove. This would occur annually via a resolution approved by the Board of County Commissioners.

Cash Basis: Due to timing differences between receipt of property tax revenue and disbursement of expenditures; the County's fund balance must provide the necessary cash flow to fund operations through the first three months of the fiscal year.

Estimated Gross Surplus: The estimated fund balance at the end of the current year less the amount needed to stay on a cash basis.

Estimated Available Surplus: The estimated gross surplus less the minimum fund balance set aside for unanticipated expenditures and to meet desired reserves; the net amount of which will then be considered available to support the subsequent year's budget.

CASH BASIS:

Current property tax collections are not available until the fourth month of the fiscal year, therefore, fund balance must provide for cash flow during the fiscal year to alleviate the timing difference between receipt of revenue and disbursement of expenditures. An estimate of the cash basis requirement will be prepared annually in conjunction with the budget process.

“Cash basis” requirement is calculated by taking: the first quarter of the current year expenditures plus a factor (factor represents increased costs for the subsequent year) less the first quarter of the current year revenue with possibly a factor depicting current economic trends.

A positive amount indicates there are more expenditures than revenue and is considered to be the amount needed to stay on a “cash basis”. This amount will be set aside when calculating the estimated ‘available’ surplus and considered “committed” fund balance in the financial statements.

A negative amount indicates there is enough revenue collected during the first quarter to cover the first quarter expenditures; most likely for some self-supported funds. In this case, there would be no need to set aside any fund balance when calculating the estimated ‘available’ surplus. Additionally, there would be no committed fund balance related to “cash basis” in the financial statements.

EXHIBIT D
BOISE COUNTY FINANCIAL POLICY

SUBJECT: MINIMUM FUND BALANCE

PURPOSE: To outline in policy what minimum fund balance is and how it is determined.

BACKGROUND: GASB Statement #54 – Fund Balance Reporting and Governmental Fund Type Definitions issued February 2009. Required initial implementation for Boise County is for the fiscal year ended September 30, 2011, audited financial statements.

DEFINITIONS:

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

Committed Fund Balance: Committed fund balance is where a self-imposed limitation is set in place prior to the end of the period. The limitation is imposed at the highest level of decision-making that requires formal action at the same level to remove. This would occur annually via a resolution approved by the Board of County Commissioners.

Estimated Gross Surplus: The estimated fund balance at the end of the current year less amount needed to stay on a cash basis.

Estimated Available Surplus: The estimated gross surplus less the minimum fund balance required; the net amount of which, will then be considered available to support the subsequent year's budget.

Minimum Fund Balance: The amount set aside for unanticipated expenditures and to meet desired reserves. Also known as "budget stabilization".

MINIMUM FUND BALANCE:

Setting aside fund balance to mitigate current and future risks, to ensure stable tax rates, to address long-term financial planning, to preserve bond ratings and to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unexpected one-time expenditures is why it is important to establish minimum levels of fund balance ('budget stabilization' reserves) often referred to as rainy day funds.

The county maintains a prudent level of financial resources to protect against all of the above. The ranges set for each fund are based on the predictability of revenues, volatility of expenditures and liquidity requirements of each fund and shall be reviewed periodically. The range set for all county funds is to be maintained at a level between 10% and 30% of actual operating revenues.

In conjunction with the fiscal year end audit; the amount of minimum fund balance will be calculated based on operating revenues. Operating revenues are those actual revenues reported in the county's audited financial report in the fund 'Statement of Revenues, Expenditures, and Changes in Fund Balances'; which includes property tax and excludes transfer to and/or from other funds. The amount determined from the calculation will be considered "committed" fund balance in the financial statements.

EXHIBIT E
BOISE COUNTY FINANCIAL POLICY

SUBJECT: SUBSEQUENT YEAR'S EXPENDITURES

PURPOSE: To outline in policy what subsequent year's expenditure is and how it is determined.

BACKGROUND: GASB Statement #54 – Fund Balance Reporting and Governmental Fund Type Definitions issued February 2009. Required initial implementation for Boise County is for the fiscal year ended September 30, 2011, audited financial statements.

DEFINITIONS:

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

Assigned Fund Balance: Assigned fund balance is where a limitation results from intended uses either by: 1) highest level of decision-making, 2) body designated for that purpose or 3) official designated for that purpose. This would occur every year by the Board of County Commissioners and/or the Elected Official or Department Head, and done in conjunction with the close of the fiscal year.

Subsequent Year's Expenditure: The amount of fund balance that is needed to support the next year's budget when expenditures exceed revenues and taxes, previously referred to as "carryover".

Estimated Gross Surplus: The estimated fund balance at the end of the current year less the amount needed to pay on a cash basis.

Estimated Available Surplus: The estimated gross surplus less the minimum fund balance required; the net amount of which, will then be considered available to support the subsequent year's budget.

Cash Basis: Due to timing differences between receipt of property tax revenue and disbursement of expenditures; the county's fund balance must provide the necessary cash flow to fund operations up to the first four months of the fiscal year.

Minimum Fund Balance: The amount set aside for unanticipated expenditures and to meet desired reserves (also known as "budget stabilization").

True Book Cash: The daily cash report from the county's financial system that accounts for cash in the bank less outstanding warrants equaling the total 'book' cash available by fund. This is identified as the "Remaining Cash Analysis" report on the CAI accounting system.

SUBSEQUENT YEARS EXPENDITURES:

During the budget process for the subsequent year, departments may request the use of fund balance to support their budget requests where expenditures exceed revenues and taxes. The amount available for use in this instance is the estimated "available" surplus.

Estimated “available” surplus is calculated by taking:

Estimated “gross” surplus: True Book Cash, at December 31st of the previous calendar year, less 100% of remaining expense budget plus a % of the unrealized revenue (% is based on economic factors and may change from year to year).

From estimated “gross” surplus, the cash basis needs are estimated (*see Cash Basis Policy, Exhibit C*) and a minimum fund balance requirement, in the amount of 10% to 30% of the operating revenues for the year just ended, are made (*see Minimum Fund Balance Policy, Exhibit D*), and subtracted. The remaining amount is the estimated “available” surplus which can then be used to support the subsequent year’s budget, if needed.

The request to utilize estimated “available” fund balances where expenditures exceed revenues and taxes, are formalized during the budget process. Per I.C. 31-1604, on or before the first Monday in August, the Clerk submits a balanced budget to the Board of County Commissioners for their consideration and agreement on the tentative budget. I.C. 31-1604 further states, that on or before the third week in August the tentative budget must be published giving details of the tentative budget and advising the public of the public hearing date for the adoption of the final budget. Per I.C. Section 31-1605, the county must adopt a final budget on or before the first Tuesday after the first Monday in September.

At this hearing, the Board of County Commissioners will take comments and upon conclusion of the hearing, legally adopt the budget by a resolution in the official minutes of the Board of County Commissioners.

Due to the fact that the fund balance used to support the budget only covers one year, then lapses, it will be considered “assigned” fund balance in the financial statements.

Please Note: The adopted budget must balance – expenditures must equal the revenue budget plus the use of fund balance plus projected property taxes.