

# TITLE 10

## SPECIAL ORDINANCES, REGULATIONS, RULES, POLICIES, AND BARGAINING AGREEMENTS

### SUBTITLE 3 — POLICIES

#### POLICY 37

#### LINN COUNTY FUND BALANCE POLICY

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#### **37.100 Purpose**

The purpose of this policy is to outline the procedure for categorizing the different components of the ending fund balance in conformity with Government Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. The goal of Statement 54 is to better define the constraints placed on the different components that make up the fund balance.

[Adopted 11-252 eff 6/22/11]

#### **37.200 Fund Balance Definition**

Accountants use the term FUND BALANCE to describe the difference between the assets and liabilities reported in a governmental fund. Typi-

cally a financial reporting unit (e.g., business, proprietary fund, fiduciary fund) reports all related assets and liabilities. The difference between the two is labeled NET ASSETS and might be described as a measure of net worth. Because governmental funds report only a subset of related assets (i.e. financial assets) and liabilities (i.e. those normally expected to be liquidated with current financial resource), the difference between the two is more of a measure of liquidity than of net worth. Accountants underscore this distinction by using the term FUND BALANCE in governmental funds, rather than the term net assets that is employed elsewhere. As an approximate measure of liquidity, the fund balance is similar to the working capital of a private-sector business.

[Adopted 11-252 eff 6/22/11]

#### **37.300 Policy Background**

GASB adopted Statement No. 54 “FUND BALANCE REPORTING” in February 2009 with an effective date starting with fiscal year 2010-11. At that time the Financial Statements shall indicate the breakdown of the fund balance into the five categories listed in LCP 37.400.

[Adopted 11-252 eff 6/22/11]

#### **37.400 Policy**

The components of the fund balance will be categorized into one of the following five categories:

(A) **Non-spendable fund balance** (Inherently non-spendable). The portion of net resources that cannot be spent because of their form

or because they must be maintained intact. Examples include:

- (1) Pre-paid items (e.g., paying insurance premium ahead of time);
- (2) Inventories of supplies (a major bulk buying item e.g., water pipe);
- (3) Long-term portion of loans receivable (inter fund loan);
- (4) Financial assets held for resale such as foreclosure properties;
- (5) Principal of an endowment (e.g., EXPO);
- (6) Capital of a revolving loan fund.

(B) **Restricted fund balance** (externally enforceable limitations on use). Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments. Limitations may also be imposed by law through constitutional provisions or enabling legislation. Examples include:

- (1) Specific Purpose Grants;
- (2) State Gas Tax Funds;
- (3) Restriction from other governments through laws and regulations;
- (4) Creditors through debt covenants;
- (5) Contributors for specific purposes.

(C) **Committed fund balance** (self-imposed limitations set in place prior to the end of the period by the Linn County Board of Commissioners). Limitation imposed at highest level of decision making (recommended to be in the form of a resolution) that requires formal action at the same level to remove.

(D) **Assigned fund balance** (limitation resulting from intended use). The Board of Commissioners has delegated decision making authority to some other body (e.g., budget committee, etc) designated for that purpose or by an official (e.g., Budget Officer, Administrative Officer, Elected officials) designated for that purpose. Less formality is necessary in the case of assigned fund balance.

(E) **Unassigned fund balance** (residual net resources). For the general fund, this classification represents a fund balance that has not been assigned to other funds and that has not been

restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. (Total fund balance in the general fund in excess of other categories [surplus].) In funds other than general fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance (deficit).

[Adopted 11-252 eff 6/22/11]

### 37.500 Order of Spending Resources

When both restricted and unrestricted resources are available for use, it is the Board of Commissioners policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the Board of Commissioners policy to use committed resources first, then assigned, and then unassigned as they are needed.

[Adopted 11-252 eff 6/22/11]

### 37.600 Summary

In summary, these new categories for fund balance consider the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent.

[Adopted 11-252 eff 6/22/11]

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### Statutory References and Other Authorities:

Government Accounting Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions

### Legislative History of Policy 37:

Adopted 2011-252 eff 06/22/11

Amendments to 2011-252:

#1 none

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