

COUNTY OF NEVADA
FUND BALANCE RESERVE POLICY

A. PURPOSE

The County of Nevada establishes and will maintain classifications of fund balance, as defined herein, in accordance with Governmental Accounting and Financial Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Fund Balance Policy will help the County maintain a strong fiscal position to weather negative economic trends and provide financial resources to protect the County against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. It also is intended to preserve flexibility to make adjustments in funding for programs approved in connection with the annual budget. This Policy will initially cover the General Fund, however will be expanded to also incorporate all governmental type funds of the County. The Fund Balance Policy is established with a long-term perspective, recognizing that stated thresholds are considered minimum balances. This Policy shall only apply to the County's governmental funds.

B. FUND BALANCE DEFINITIONS

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the County is bound to honor constraints on the specific purpose for which amounts can be spent.

1. **Nonspendable Fund Balance** - consists of funds that cannot be spent due to their form, such as inventories or prepaid invoices, or funds that legally or contractually must be maintained intact.
2. **Restricted Fund Balance** - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. **Committed Fund Balance** - includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Supervisors. Formal action must be taken prior to the end of any fiscal year to establish, change or remove the limitation placed on these funds.
4. **Assigned Fund Balance** – consists of funds set aside for specific purposes but do not meet the criteria for Restricted or Committed. These can be established, changed or removed by the Board of Supervisors or delegated to an official. Assigned funds cannot cause a deficit in Unassigned fund balance. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the Committed and Assigned classifications.
5. **Unassigned Fund Balance** – is the residual classification for the Fund and includes all spendable amounts not contained in the other classifications. These funds are available for any purpose in the fund.

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PROVISIONS

1. Nonspendable Fund Balance

Funds will be classified as Nonspendable based upon the underlying nature of the related asset. No policy statement is required for funds to be classified as Nonspendable.

2. Restricted Fund Balance

Funds will be classified as Restricted based upon the nature of the externally stipulated restriction. No policy statement is required for funds to be classified as Restricted.

3. Committed Fund Balance

The Board of Supervisors has the authority to set aside funds for a specific purpose. The establishment of Committed fund balance requires the passage of a resolution by a simple majority vote before June 30 of the applicable fiscal year. Board action is required to change or remove the commitment. The Board resolution shall identify the title of the commitment, describe the specific purpose for the commitment, and the actual amount of the commitment or the process or formula necessary to calculate the actual amount. Funding for Committed fund balance shall be approved annually by the Board of Supervisors as part of the budget approval process.

4. Assigned Fund Balance

The Board of Supervisors has the authority to assign funds for a specific purpose with a simple majority vote. The same action is required to change or remove an assignment.

The County Executive Officer also has the authority to assign funds for specific purposes, and to change or remove the assignment. The establishment, change or removal of an assignment by the County Executive Officer must be reported to the Board of Supervisors at the earliest opportunity. The Board may change or remove an assignment established by the County Executive Officer with a simple majority vote.

5. Unassigned Fund Balance

Unassigned fund balance is the residual amount of fund balance in the General Fund. It represents the resources available to support cash flow and for future spending. An appropriate level of Unassigned fund balance should be maintained in the General Fund to cover unexpected expenditures and revenue shortfalls. Use of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget must be classified as Unassigned fund balance.

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C. STABILIZATION ARRANGEMENTS

A stabilization arrangement may be established to provide funds for an urgent event that affects the provision of government services necessary for the safety of employees, residents or property. A stabilization arrangement will be classified as either Restricted or Committed fund balance, depending on the source of constraint on its use. The Board of Supervisors has the authority to establish a stabilization arrangement that will be classified as Committed fund balance. The Board resolution establishing the committed stabilization arrangement shall identify the title of the stabilization arrangement, and describe the specific, non-routine circumstances under which the stabilization arrangement may be spent.

D. MINIMUM UNRESTRICTED FUND BALANCE

The unrestricted fund balance includes Committed Fund Balance and Assigned Fund Balance. The unrestricted fund balance in the County General Fund (the General Fund Reserve) shall be a minimum of 10% with a funding target of 15% of the budgeted operating expenditures. Operating expenditures excludes budget items for intrafund transfers, fixed assets, and other financing uses but includes amounts for annual debt service. The amount of the unrestricted fund balance shall be estimated and reported in both the Proposed Budget and the Adopted Budget. If the General Fund unrestricted fund balance falls below the minimum, the County shall develop a funding plan and a timeframe to bring it to the minimum balance.

E. MINIMUM UNASSIGNED FUND BALANCE

The unassigned fund balance in the County General Fund is primarily used for cash flow purposes throughout the fiscal year in support of the cyclical nature of certain payments during the year, such as pre-funding pension liability payments. The minimum unassigned fund balance shall be 10%.

F. USE OF UNASSIGNED FUND BALANCE

Annually, the County Executive Officer will review the unassigned fund balance remaining after prior fiscal year end adjustments are finalized and incorporate recommended adjustments in the proposed budget. The following uses of the unassigned fund balance shall be included, unless directed otherwise by the Board of Supervisors:

- To achieve minimum unassigned funding level as identified in Section E above; and

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- 25% shall be directed to the Assignment for Pension Contribution to be used as directed in the County's next Annual Pension Funding Plan either to make an Additional Discretionary Payment towards Unfunded Actuarial Liability or deposit into the County's Section 115 Pension Stabilization Trust; and
- To increase the Assignment for unanticipated liabilities and emergencies equal to 1% of final adopted General Fund Expenditures;
- Other actions so approved by the Board with the intent to strengthen the County's fiscal position and maintain its bond rating.

g. SPECIFIC GENERAL FUND COMMITTED RESERVES

The Unrestricted Fund Balance (the General Fund Reserve) includes the following Committed Reserves.

1. Reserve for Working Capital

Purpose – The Reserve for Working Capital is intended to remain intact and unused to assist the County in maintaining a minimal fund balance. The target funding level is equivalent to 3% of General Fund's Final Adopted Operating Expenditures.

Establishment and Approval – This stabilization arrangement will be established by a resolution of the Board of Supervisors and will be reviewed annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors appropriating the funds, and a resolution by the Board of Supervisors' declaration of fiscal emergency.

Fund Balance Classification – Committed fund balance stabilization arrangement

2. Strategic Reserve

Purpose – The Strategic Reserve is intended to:

1. Mitigate economic downturns that reduce County general revenue;
2. Mitigate state or federal budget actions that may reduce County revenue; and
3. Maintain core services essential to public health, safety, and welfare.

The funds are separate monies used only for the purposes stated above. The funds are used only to support the operating budget during recessions or periods of economic distress as measured by periods of time when the local unemployment rate exceeds 8% and/or the rate of inflation exceeds the growth in property tax revenue. The target funding level of the strategic reserve is an amount equivalent to 1% of General Fund's Adopted Operating Expenditures.

Establishment and Approval – This stabilization arrangement will be established by a resolution of the Board of Supervisors and will be reviewed annually by the

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Board during the budget approval process.

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Committed fund balance stabilization arrangement

3. Reserve for Natural Disasters

Purpose – The Reserve for Natural Disasters is to fund the extraordinary operating costs, legal costs and cash flow problems associated delays in state and federal reimbursements for any natural disaster declared by County’s Director of Emergency Services and subsequently ratified by the Board of Supervisors, and the State of California or the federal government. The target funding level of the strategic reserve is an amount equivalent to 1% of General Fund’s Adopted Operating Expenditures.

Establishment and Approval – This reserve will be established by a resolution of the Board of Supervisors, and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Committed fund balance

H. SPECIFIC GENERAL FUND ASSIGNED RESERVES

1. Assignment for Unanticipated Liabilities and Emergencies

Purpose – The Assignment for unanticipated liabilities and emergencies is intended to provide a reserve to mitigate the risk of unanticipated revenue declines or unanticipated costs not covered by the Property and Liability Fund or that exceed the funding from any planned carryover fund balance. Other cost savings and any unanticipated revenues should be relied on first before the use of the assignment for unanticipated liabilities and emergencies. The minimum funding level of the assignment is an amount equivalent to 1% of General Fund’s Adopted Operating Expenditures.

Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors

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appropriating the funds.

Fund Balance Classification – Assignment for unanticipated liabilities.

2. Assignment for Priority Objective Activities

Purpose – The Assignment for Priority Objective Activities is intended to provide a reserve for board-directed activities which may take longer than one-year to complete and are necessary to further the goals of one or more Priority Objective as adopted. Funds may be used for the purposes of matching grant funds. Other cost savings or unanticipated revenues should be relied on first before the use of the assignment for Priority Objective Activities.

Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Priority Objective programs.

3. Assignment for Justice Services

Purpose – The Assignment for Justice Services is intended to provide a reserve for projects, infrastructure, hardware or software, specialized equipment and/or vehicles in support of County justice providers. Other cost savings or unanticipated revenues should be relied on first before the use of the assignment for Justice Services.

Establishment and Approval – This assignment will be established by the County Executive Officer in consultation with the Sheriff's Office and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a recommendation by the Sheriff's Office and a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Justice Services.

4. Assignment for Information Systems Infrastructure

Purpose – The Assignment for Information Systems Infrastructure is intended to capture funds set aside for future technology improvements, upgrades, and other needs identified in the Information Systems 5-Year Plan.

Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors

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appropriating the funds.

Fund Balance Classification – Assignment for Information Systems Infrastructure.

5. Assignment for Accumulated Leave Payments

Purpose – The Assignment for Accumulated Leave Payments is established in recognition that County employees are allowed to accumulate leave hours based on employment group Memorandums of Understanding. Funds in this Assignment may be used to fund payout of accumulated leave upon employee separation at the discretion and recommendation of the Deputy County Executive Officer/Chief Fiscal Officer.

Establishment and Approval – This assignment will be established by the County Executive Officer in consultation with the Auditor-Controller and in accordance with GASB 101. The assignment will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a recommendation by the Deputy County Executive Officer/Chief Fiscal Officer and a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Accumulated Leave Payments.

6. Assignment for Facilities Planning & Acquisition

Purpose – The Assignment for Facilities Planning & Acquisition is intended to provide a reserve and funding flow for projects and property in line with the County Facilities Master Plan. Use of these funds should be reserved for lifecycle maintenance requirements at County-owned facilities and leverage all other available resources.

Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a recommendation by the Deputy County Executive Officer/Chief Fiscal Officer and a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Facilities Planning & Acquisition.

7. Assignment for Pension Contribution

Purpose – The Assignment for Pension Contribution is intended to capture funds necessary for making payments on the County's pension obligation with CalPERS and specifically identified in the County's Annual Pension Funding Plan. Funds in this assignment will be held for a short-term and utilized in conjunction with the County's Section 115 Pension Stabilization Trust Fund to manage the County's Unfunded Actuarial Liability.

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Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a recommendation by the Deputy County Executive Officer/Chief Fiscal Officer and a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Pension Contribution.

8. Assignment for Civil Litigation

Purpose – The Assignment for Civil Litigation is intended to be used in the event the County is party to litigation and requires additional resources in its representation

Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a recommendation by the Deputy County Executive Officer/Chief Fiscal Officer and a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Civil Litigation.

I. MONITORING, REPORTING AND REVIEWING

The Deputy County Executive Officer/Chief Fiscal Officer and Auditor-Controller shall jointly prepare an annual report documenting the status of fund balance for the Board's review in conjunction with consideration of the annual budget. The County's Fund Balance Policy shall be reviewed annually to evaluate its sufficiency.