

Grand County Fund Balance Expenditure Policy

1. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first.
2. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of County Commissioners has provided otherwise in its commitment or assignment actions
3. The County's financial statements for governmental funds may report up to five components of fund balance as follows:
 - 3a. **Nonspendable fund balance** includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. This includes items that are not expected to be converted to cash (for example, inventories and prepaid amounts), long-term loans and notes receivable, as well as property acquired for resale.¹ If the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact. For fund balance reporting purposes, net assets required to be retained in perpetuity and classified as nonexpendable in the government wide statements, should be classified as nonspendable rather than restricted in the governmental fund statements.
 - 3b. **Restricted fund balance** is the amount that is restricted to specific purposes, pursuant to the definition of restricted in paragraph 34 of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* as amended by GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation - an amendment of GASB Statement No. 34*. When the use of resources is constrained either by (a) external impositions by creditors, grantors, contributors, or laws or regulations of other governments or (b) impositions by law through constitutional provisions or enabling legislation,² fund balance should be reported as restricted.
 - 3c. **Committed fund balance** is the amount that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Such amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. The formal action of the government's highest level of decision-making authority that commits fund balance to a specific purpose should occur prior to the end of the reporting period, but the amount, if any, which will be subject to the constraint, may be determined in the subsequent period. Contractual obligations should also be included in committed fund balance to the extent existing fund resources have been specifically committed for use in satisfying those contractual requirements.
 - 3d. **Assigned fund balance** is the amount that is constrained by the government's intent to be used for specific purposes, but is not restricted or committed, except for certain stabilization arrangements. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body

has delegated the authority to assign amounts to be used for specific purposes. The nature of the action necessary to remove or modify an assignment is not as prescriptive as it is for committed fund balance classifications. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. Fund balances in a special revenue, capital projects, debt service, or permanent fund that are not restricted or committed are reported as assigned fund balance in the respective funds. Assigned fund balance in the general fund represents the intended use of that amount for a specific purpose that is narrower than the general purposes of the government itself. Governments should not report assigned fund balance if such assignment results in a deficit in unassigned fund balance

3e. **Unassigned fund balance** is the residual classification for the general fund. This classification represents 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. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in those funds.

4. The appropriate level of unrestricted fund balance to be maintained in the general fund is no less than two months of annual expenditures.
5. The circumstances in which resources accumulated for contingencies in the general fund may be spent down include retiring debt and unanticipated budgetary shortfalls.
6. If spending in designated circumstances has reduced unrestricted fund balance in the general fund to a point below the targeted minimum level, it must be replenished in no more than three years.

¹ Encumbrances do not represent nonspendable resources. Amounts encumbered for specific purposes for which resources already have been restricted, committed, or assigned should not result in separate display of the encumbered amounts within those classifications. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned should not be classified as unassigned but, rather, should be included within committed or assigned fund balance, as appropriate.

² Enabling legislation, as the term is used in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation.