

RESOLUTION NO.: 2016 - 04
SUBJECT: Fund Balance Policy
EFFECTIVE DATE: August 24, 2016

RESOLUTION OF THE EL PASO COUNTY BOARD OF HEALTH

WHEREAS, the El Paso County Board of Health has traditionally established a minimum unrestricted fund balance reserve for El Paso County Public Health, but without a supporting policy regarding the maintenance and use thereof; and

WHEREAS, the Board of Health wishes to adopt a formal Fund Balance Policy for the purpose of maintaining a satisfactory level of El Paso County Public Health unrestricted fund balance reserves to insure a continued strong financial position; and

WHEREAS, the Fund Balance Policy attached hereto as Exhibit A and incorporated herein by reference sets forth the desired minimum level of unrestricted fund balance, describes the circumstances in which the resources reserved for contingencies may be spent, and creates a plan for replenishing the fund balance over time in the event the unrestricted fund balance is used; and

WHEREAS, the Board of Health finds that it is in the best interest of Public Health and the citizens it serves that the Fund Balance Policy be adopted.

NOW, THEREFORE, BE IT RESOLVED that the El Paso County Board of Health hereby approves the Fund Balance Policy attached hereto as Exhibit A and incorporated herein by reference.

MOVED, SECONDED AND ADOPTED BY THE EL PASO COUNTY BOARD OF HEALTH AT ITS REGULAR MEETING HELD ON August 24, 2016.

EL PASO COUNTY BOARD OF HEALTH

BY: _____

President

ATTEST: _____

Secretary



Fund Balance Policy

August 24, 2016

*El Paso County Administration & Financial Services
Nicola Sapp, Chief Financial & Administrative Officer*

Attachment A

FUND BALANCE POLICY

BACKGROUND

Governmental Accounting Standards Board (GASB) released “Fund Balance Reporting and Governmental Fund Type Definitions” (GASB Statement No. 54). The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information for every user of governmental financial statements. This includes rating agencies, taxpayers, elected officials, and the media. The goal of GASB Statement No. 54 is to be consistent across all governments on how fund balances are reported.

GASB Statement No. 54 addresses two items of governmental reporting: fund types and fund balances.

What is a “Fund Type”?

- Fund Type – One of 11 classifications into which all individual funds can be categorized.

El Paso County Public Health is a Component Unit of El Paso County which has always reported our Governmental Fund Types in compliance with GASB and our current fund type reporting structure is consistent and in compliance with GASB Statement No. 54. Thus, we are not required to do anything additional to address the fund type section of this GASB.

What is a “Fund Balance”?

- Fund Balance – A subset of assets and liabilities deemed relevant for purposes of assessing near-term liquidity (similar to working capital). Fund balance includes Non-spendable, Restricted, and Unrestricted.

GASB 54 required El Paso County to establish a fund balance policy for fiscal year 2011. The desired outcome of this directive is to have in place a plan to maintain a satisfactory level of unrestricted fund balance reserves (which includes committed, assigned, and unassigned funds) to insure a continued strong financial position within the County.

This policy was established December 20, 2011. After implementing this policy over the last four years, Budget Administration found that the way it was written did not meet El Paso County’s needs and has therefore adopted a revised policy effective December 17, 2015.

El Paso County Public Health has not adopted a formal policy for the maintenance of fund balance nor its use of restricted and unrestricted (committed, assigned, unassigned) fund balance. Informally, the Board has maintained a targeted level of reserves to be 21% of annual budgeted expenses intended to cover unforeseeable fluctuation in income and/or expenditures.

With a newly adopted fund balance policy by the County it is now an opportune time to review the policy of the Board of Health (BoH) and formalize the guidelines to be compatible with El Paso County policy while holding to the specific needs of Public Health.

PURPOSE OF THIS POLICY

To establish a policy to maintain a satisfactory level of the Public Health Fund unrestricted fund balance reserves to insure a continued strong financial position. The Government Finance Officers Association (GFOA) recommends a fund balance policy to include the following:

1. Desired minimum level of unrestricted fund balance.
2. Describe the specific circumstances in which the resources accumulated for contingencies may be spent.
3. In the event the unrestricted fund balance must be used, how the Board of Health would replenish the fund balance and over what time frame the replenishment would occur.

BASIS FOR FUND BALANCE

GFOA states the “only (accounting) fund typically having a fund balance policy is the General Fund.” This is because all core revenues flow through the General Fund. Thus, the General Fund supports or provides funding as needed to cover shortfalls in the other funds. This basis of accounting is consistent with how El Paso County Public Health operates.

Since Public Health has only one fund it is the primary operating fund and it accounts for all financial resources of the entity.

The revenues associated with the activity within the Public Health Fund are included as a basis for fund balance percentage calculation. Further, GASB 54 states the Fund Balance Policy will focus on the Fund category containing Committed, Assigned, and Unassigned fund balances in our Comprehensive Annual Financial Report.

RECOMMENDATIONS FOR DETERMINING BASIS

1. The basis of the fund balance reserve shall be unrestricted revenues for the fund as Public Health expenditures are very stable. The volatility lies in revenues.
2. The fund balance reserve plus the Restricted Tabor Reserve will result in a reserve amount recommended by the Government Finance Officers Association (GFOA) of approximately 16.67% the equivalent of 2 months of Revenues or Expenditures. El Paso County Public Health’s desired level is 18% to 21% of revenues.
3. That an adequate level of reserve be maintained for cash flow purposes.
4. That a sufficient level of reserves be maintained to carry El Paso County Public Health through low economic periods or fluctuations in anticipated annual revenues.
5. That an adequate level of reserves will be available due to unexpected needs.

UNRESTRICTED FUND BALANCE MINIMUM REQUIREMENTS

The Board of Health has established:

1. The appropriate minimum level of unrestricted fund balance to be maintained is the range of 18% to 21% of unrestricted revenues.
2. The unrestricted fund balance may be used in the following circumstances:
 - a. Revenues received are at least 4% less than budgeted due to economic conditions impacting the local funding from El Paso County
 - b. Federally declared natural disasters within the County
 - c. Declared emergencies, such as a disease epidemic, natural disaster or bioterrorism event
 - d. Elimination or significant reduction of core revenue streams, such as:
 - i. State Per Capita revenue
 - ii. Core Public Health Services
 1. Assessment, Planning and Communication
 2. Environmental Health
 3. Vital Stats
 4. Communicable Disease Prevention
 5. PH Emergency Preparedness and Response
3. BoH determined emergency of one-time cost
4. Fund balance will be used in the order of: unassigned, assigned, and committed
5. The unrestricted fund balance will be replenished using the following methods:
 - a. Adjust the financial projection so that spending is adjusted down (or economic recovery predicted) and desired levels of unrestricted fund balance are replenished.
 - b. Natural disaster use is replenished when anticipated reimbursement will be received from state/federal government.
 - c. Fund balance will be replenished in the order of: committed, assigned, and unassigned.
6. The unrestricted fund balance will be replenished using the following timeline:
 - a. The amount that needs to be replenished will be adjusted in the financial projection to be brought to the minimum required level over a maximum of five budget years.
7. The highest level of decision making authority to establish, modify and rescind commitments is the Board of Health by Resolution.
8. The officials authorized to assign Board of Health approved amounts for specific purposes are the Public Health Executive Director and Budget Officer.

RESPONSIBILITIES

- Administration & Financial Services shall be responsible for the preparation and notification to the BoH, the status of unrestricted fund balance reserves on an annual basis, noting any exceptions to the levels as defined in the policy.