

RESOLUTION NO. 2015-
RESOLUTION OF THE BOARD OF COUNTY
COMMISSIONERS OF COLUMBIA COUNTY, FLORIDA

RE: THE COLUMBIA COUNTY FINANCIAL RESERVES POLICY

WHEREAS, the Columbia County Board of County Commissioners (the “Board”) recognize that it is essential for governments to maintain adequate levels of fund balance to mitigate current and future risks such as revenue shortfalls, natural disasters, unanticipated expenditures, and to ensure stable tax rates; and

WHEREAS, Chapter 129 of the *Florida Statutes* set forth certain requirements for a County budgets and accompanying reserves; and

WHEREAS, it is necessary to comply with the Governmental Accounting Standards issued Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, clarifying fund balance classifications on financial statements; and

WHEREAS, the Board desires reserve policies based on sound fiscal principles designed to allow the County to maintain continuity of operations in adverse conditions while being mindful of our fiduciary responsibility to taxpayers, both current and future generations; and

WHEREAS, the County realizes that adequate fund balance levels are an essential component of the County's overall financial management strategy and a key factor in external agencies' measurement of the County's financial strength and that these Financial Reserve Policies may need to be adjusted from time to time as conditions change; and

WHEREAS, various bond rating agencies recognize that the best reserve policies provide both specificity and flexibility, accomplishing one or more of at least three main criteria: establishing a target level of reserves, or a reserve floor; specifying the appropriate circumstances for drawing down reserves; and directing the replenishment of reserves; and

WHEREAS, Columbia County’s geographic location makes it susceptible to hurricane and storm damage; and

WHEREAS, Columbia County’s size in square miles, north-south expansiveness, and relatively low population density mean that disaster response efforts may cost considerably more per capita, particularly in remote sections, than other similarly-sized or similarly-populated Florida counties; and

WHEREAS, Higher costs per capita result in a higher proportional costs to the County’s budget as a percentage; and

WHEREAS, debt service funds will be maintained as required by bond covenants; and

WHEREAS, there exists uncertainty in the economic markets around the world, in regards

to the cost of construction materials, interest rates, personnel costs, medical insurance costs, and general inflation; and

WHEREAS, each sizable fund has been analyzed to determine the type of risk it may be exposed to, the duration of the risk, methods to mitigate that risk and the amount of funds needed to mitigate against that risk; and

WHEREAS, recovery of the Contingency Reserve after drawdown will be examined on an annual basis to determine the need for increases in fees / taxes or expenditure reductions to ensure the funds are replenished within a 3 year time period, all other reserves will be replenished within 5 years; and

WHEREAS, the County's Financial Reserves Policy acts to mitigate other forms of uncertainty such as changes in the tax and spending policies of federal and state governments; imposition of mandates by federal and state governments or the courts; financial impacts of employer-provided health care mandated by the Affordable Care Act; employer contributions to the Florida Retirement System required by state legislature; repairs and replacement of the County's aging infrastructure; unforeseen increases in energy costs; and

WHEREAS, the Board agrees with the County's Management and Financial staff's recommendation that the most prudent course of action for capital outlay funding is proactively via the establishment of plans and accompanying Capital Outlay Reserves; and

WHEREAS, the County's Financial Reserves Policy must be constructed with provisions for defining satisfactory uses of the Reserves herein described, and with provisional requirements outlining the manner and timeframe of replacement of those reserves after said uses; and

WHEREAS, the Board recognizes that the County's Annual Budget must be constructed in a way to adhere to the requirements of this Financial Reserve Policy for the latter to have any effect in achieving the Board's aforementioned purposes; and

WHEREAS, the County will project the reserve amounts in the budgetary process, and recalculate fund balance at the conclusion of each fiscal year for budgeting and financial reporting purposes.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF COLUMBIA COUNTY, FLORIDA, AS FOLLOWS:

SECTION 1. Financial Reserve Policy Created

The Columbia County Board of County Commissioners hereby creates the following Financial Reserves Policy:

SECTION 2. Fund Balance Categories

Pursuant to GASB 54, fund balances will be reported in the categories set forth on Exhibit A, attached hereto and incorporated herein.

SECTION 3. Reserve Categories

Budgeted reserves shall consist of: Contingency, Cash Carried Over, Capital Reserves, and Debt Service Reserves, and shall be defined and relate to fund balance as set forth in Exhibit B, attached hereto and incorporated herein.

SECTION 4. General Fund Reserves

The components of the General Fund Reserves must include the following:

Contingency Reserve

The County must maintain a reserve of 10% of budgeted annual General Fund operating expenditures to be used to ensure the maintenance of services to the public during non-routine and unforeseen emergency or disaster situations, such as hurricanes and other weather-related events, as well as other environmental or other natural disasters, or acts of terrorism, or large-scale accidental catastrophes; that cause disruptions in public services as declared appropriate by the Board of County Commissioners of Columbia County, Florida (the "Board"). The County budget shall be constructed each year so as to maintain this balance intact, utilizing a distinct "Reserves - Contingency" account for budgeting purposes. With the passing of the subsequent year's budget prior to current fiscal year-end, the Contingency portion shall be considered Committed Fund Balance at current fiscal year-end.

Cash Carried Over Reserve

The County must maintain a minimum reserve of 15% of budgeted annual General Fund operating expenditures to be used for short term cash flow purposes, unanticipated expenditures of a non-recurring nature, to meet unexpected immediate increases in service delivery costs, utility costs, and fuel costs, or to mitigate impacts to ad valorem taxes and service levels in the event that an economic downturn should cause an unexpected shortfall in revenues. Similarly, this would, in the short term, mitigate adverse impacts of economic uncertainties the County is exposed to due to the tax and spending policies of federal and state governments; and imposition of mandates by federal and state governments or the courts. This portion may also be necessary to supplement disaster response in the event the 10% Contingency is exhausted. The Cash Carried Over Reserve may not exceed 20% of budgeted General Fund operating expenditures. The County budget shall be constructed each year so as to maintain this balance intact, utilizing a distinct "Reserves – Cash Carried Over" account for budgeting purposes. With the passing of the subsequent year's budget prior to current fiscal year-end, the 15% minimum Cash Carried Over portion shall be accounted for as Committed Fund Balance at current fiscal year-end. Additional amounts shall be accounted for as either Assigned or Unassigned.

The components of the General Fund Reserves may include the following:

Additional Cash Carried Over Reserves (Cash Carried Over Greater than 15%,

but no more than 20%) of Operating Expenditures Budgeted)

Additional spendable reserves budgeted beyond the 10% Contingency Reserve and the 15% Cash Carried Over minimum may be also budgeted in Cash Carried Over Reserves, provided this line does not exceed 20% of General Fund budgeted operating expenditures. While funds budgeted for the subsequent year's Contingency and the first 15% of the Cash Carried Over shall be accounted for as Committed Fund Balance at fiscal year-end, any additional reserves will be accounted for as either Unassigned, Assigned, or Restricted per the definitions found in Exhibit A.

The County may set aside or assign fund balances for equipment replacement, the completion of planned projects or current ongoing projects. Large capital projects should be accounted for in the General Capital Projects Fund and the preparing reserves kept there. Capital equipment purchases should be account for in the Capital Equipment Replacement Fund and the preparing reserves kept there. However, other assignments not fitting these particular definitions may be made at times by the Board. Any assignments made prior to fiscal year-end, whether expressed by the Board or recommended by the County Manager/Budget Officer, will be determined, summarized, and communicated by the Director of Financial Management to the Clerk's Finance Office for financial reporting purposes within 75 days after fiscal year-end (December 15th). If the project(s) for assignment can be defined, these amounts should instead simply be appropriated to expenditure lines instead of the Cash Carried Over Reserve.

The General Fund will typically have spendable fund balances in excess of those that are restricted, committed, or assigned. This is accounted for and reported as Unassigned Fund Balance. This is the preferred source from which to appropriate monies for non-recurring, "one-time" needs that arise, as unassigned resources should be prioritized for use whenever possible. Budget surpluses realized at fiscal-year end from general revenues and operating expenditures may contribute to a larger overall fund balance than was initially budgeted. This surplus may be utilized in the General Fund or transferred to other funds.

Restricted Reserves

Although restricted sources are usually handled in Special Revenue or Debt Service funds, the General Fund may at times carryover balances of externally restricted revenue sources. It is the policy of the Board that steps should be taken, where possible, to avoid such carryovers in the General Fund and restricted resources should be considered for use first by priority over committed, assigned, and unassigned balances, respectively. It is also the policy of the Board that restricted resources are generally more appropriately handled in Special Revenue or Debt Service funds. If, however, it is known that a restricted fund balance must be kept in the General Fund from spendable resources, this use should be allocated to a specified budgetary reserve account that is noted as restricted. These monies shall be accounted for and budgeted in the manner prescribed by the external requirements, and according to sound accounting principles. The types and requirements of restrictions may vary widely, and cannot be addressed in this policy with specificity. Restrictions known to exist at Fiscal Year End shall be accounted for as Restricted Fund Balance.

The proper uses of and methods for appropriating the General Fund Reserves as defined here shall be:

All Reserves – Reserve resources cannot be spent directly from Reserve accounts, but must be appropriated from these lines to expenditure lines by action of the Board per Florida Statute (*FS 129.06(2)*).

Use of Contingency Reserve

The “Reserve – Contingency” may be utilized for dealing with emergencies, disasters, and catastrophes as determined necessary by emergency declaration via majority vote of the Board. In such an event, the budgeted appropriation will be set up in a distinct department and division in the General Fund, and costs will be either directly charged to the account lines set up therein, or reimbursed by accounting entries (when time and urgency will not allow direct expensing). All supporting documentation for any such charges, whether direct or indirect, will need to be compiled for expenditures and summarized by the Emergency Management Director. The Emergency Management Director will cooperate with the Director of Financial Management to subsequently seek any possible reimbursement of expenditures from Federal and State agencies. Financial emergencies may also be declared by the Board, in which case the requirements for involvement of the Emergency Management Director are excluded.

Use of Cash Carried Over Reserve – 15% Minimum Portion

The “Reserves – Cash Carried Over” exists to provide short-term cash flow needs prior to property tax collections at the beginning of each fiscal year, and this purpose requires no particular special authorization or budget appropriation as the cash float remains intact and resources are replaced when the appropriated revenues are collected within that same fiscal year. Additionally, these funds may be utilized below the 15% minimum requirement as determined necessary by simple majority vote of the Board, remaining within the purposes of:

- Supplementing Emergency Response/Recovery
- Covering unanticipated one-time expenditures necessary to (1) Comply with Federal or State Mandates, or (2) Preserve public safety and public property in smaller-scale events not rising to the level of emergency declaration
- Mitigating short-term impact of rapid changes in costs to the County of delivering services, particularly fuel and utility costs, or shifts in externally-driven personnel costs such as federally-mandated health care coverage and legislatively-required contributions to the Florida Retirement System
- Mitigating short-term impacts of rapid changes in economic environment that create unanticipated revenue shortfalls

Additionally, the Board may exercise its privilege to deplete Cash Carried Over Reserves below the 15% Minimum for purposes other than those described above via Resolution.

Use of Cash Carried Over Reserves in Excess of the 15% Minimum Portion

The “Reserves – Cash Carried Over” existing above the 15% Minimum Balance prescribed by this Board action may be utilized by the Board for any “one-time” and nonrecurring purpose approved via simple majority vote of the Board.

Other Uses of General Fund Reserves

Restricted reserves may only be appropriated for the purposes dictated by the legislative action creating them or the contractual restrictions placed upon them in the arrangement providing the funding.

Reserves stemming from prior-year unspent assigned balances may be appropriated for the purposes to which they were originally assigned by Board amendment to the budget (initial expenditure budget), or

by rolling forward of any prior year appropriations that were previously budgeted and not fully expended. Roll forward procedures shall be determined by the Budget Officer. Balances may be reassigned (rather than budgeted) by the authority level that assigned them (whether Board action or County Manager recommendation) once it's determined they're no longer needed to achieve the original purpose, or a more preferred purpose arises.

The replacement of the General Fund Reserves as defined here shall be ordered as follows:

In the event that Reserves are depleted below the minimum percentages prescribed in this document for any reason, they shall be replaced in order of priority of (1) Contingency Reserves, (2) Cash Carried Over Reserves of 15%, and (3) Any other reserves are not mandatory and replacement is not required.

Once a committed percentage reserve has been depleted, the County Manager shall present to the Board a plan for replacing those reserves. The plan should contain options for increases in revenues, decreases in expenditures, and reappropriation of other non-restricted and non-committed balances, and a timeframe for expected full restoration. The plan approved by the Board shall then be incorporated into subsequent years' budgets, reviewed in the budgetary process, and updated as needed, until the balances are restored.

The timeframe for replacement of the Contingency Reserve should not exceed 1 year if sufficient unassigned reserves exist, and should not exceed 3 years if sufficient unassigned reserves do not exist.

The timeframe for replacement of Cash Carried Over Reserve should not exceed 2 years if sufficient unassigned reserves exist, and should not exceed 5 years if sufficient unassigned reserves do not exist.

SECTION 5. Transportation Trust Fund Reserves

Note that all fund balances in the Transportation Trust Fund are technically "Restricted" to transportation-related uses per Florida Statute (FS 336.022(1)). However, within that purpose, the Board desires to budget for contingency and cash carry over stabilization from these sources as provided by FS 129.01 and 129.02(2).

The components of the Transportation Trust Fund Reserves must include the following:

Contingency Reserve

The County must maintain a reserve of 10% of budgeted annual Transportation Trust Fund budgeted expenditures to be used to ensure the safety and viability of county-maintained roadways servicing the public during non-routine and unforeseen disaster situations, such as hurricanes and other weather-related events, as well as other environmental or other natural disasters, or acts of terrorism, or large-scale accidental catastrophes; that cause disruptions in public services as declared appropriate by the Board of County Commissioners of Columbia County, Florida (the "Board"). The County budget shall be constructed each year so as to maintain this balance intact, utilizing a distinct "Reserves - Contingency" account for budgeting purposes.

Cash Carried Over Reserve

The County must maintain a minimum Cash Carried Over Reserve of 10% of budgeted annual Transportation Trust Fund operating expenditures to be used for short term cash flow purposes, unanticipated expenditures of a non-recurring nature, to meet unexpected immediate increases in service delivery costs, utility costs, and fuel costs, or to mitigate impacts to service levels in the event that an economic downturn should cause an unexpected shortfall in revenues. Similarly, this would, in the short term, mitigate adverse impacts of economic uncertainties the County is exposed to due to the tax and spending policies of federal and state governments; and imposition of mandates by federal and state governments or the courts. This portion may also be necessary to supplement disaster response in the event the 10% contingency is exhausted. The Cash Carried Over Reserve may not exceed 20% of budgeted operating expenditure appropriations of the Transportation Trust Fund. The County budget shall be constructed each year so as to maintain this balance intact, utilizing a distinct “Reserves – Cash Carried Over” account for budgeting purposes.

The components of the Transportation Trust Fund Reserves may include the following:

Additional Cash Carried Over Reserves (Cash Carried Over Greater than 10%, but no more than 20%) of Operating Expenditures Budgeted)

Additional spendable reserves budgeted beyond the 10% Contingency Reserve and the 10% Cash Carried Over minimum may be also budgeted in Cash Carried Over Reserves, provided this line does not exceed 20% of Transportation Trust budgeted operating expenditures.

The proper uses of and methods for appropriating the Transportation Trust Fund Reserves as defined here shall be:

All Reserves – Reserve accounts in the Transportation Trust fund shall generally subject to the same rules and limitations as those Reserve accounts of the similar name and definition that exist in the General Fund, excepting that Transportation Trust Fund appropriations must also be restricted to transportation-related causes, and the Cash Carried Over minimum requirement is 10% instead of 15%. Additionally, Contingency funds may be utilized to preserve public safety by providing emergency repairs after catastrophic failures of transportation infrastructure, whether or not such a failure was caused by any *specific* natural or man-made disaster, or simply by age and normal use.

The replacement of the Transportation Fund Reserves as defined here shall be ordered as follows:

All Reserves – Reserve accounts in the Transportation Trust fund shall generally subject to the same order, rules and schedules for replenishment as those Reserve accounts of the similar name and definition that exist in the General Fund.

SECTION 6. Municipal Services Benefit Unit (MSBU) Fund Reserves

Note that all fund balances in the Municipal Services Benefit Unit Fund are technically “Restricted” to the purposes for which assessments in the fund are collected, per the authorizing Florida Statutes. However, within that purpose, the Board desires to budget for contingency and cash carry over stabilization from these sources as provided by FS 129.01(2)(c).

The components of the M.S.B.U. Fund Reserves must include the following:

Contingency Reserve

The County must maintain a reserve of 10% of budgeted annual MSBU Fund operating expenditures to be used to fund fire and emergency response operations, and debris and waste collection, as the responsiveness of both service types are urgent and apparent public safety needs during non-routine and unforeseen disaster situations, such as hurricanes and other weather-related events, as well as other environmental or other natural disasters, or acts of terrorism, or large-scale accidental catastrophes; as declared appropriate by the Board of County Commissioners of Columbia County, Florida (the "Board"). The County budget shall be constructed each year so as to maintain this balance intact, utilizing a distinct "Reserves - Contingency" account for budgeting purposes.

Cash Carried Over Reserve

The County must maintain a minimum Cash Carried Over Reserve of 10% of budgeted annual M.S.B.U. Fund operating expenditures to be used for short term cash flow purposes, unanticipated expenditures of a non-recurring nature, to meet unexpected immediate increases in service delivery costs, or to mitigate impacts to non-ad valorem assessments and service levels in the event that an economic downturn should cause a need for reduction in revenues. Similarly, this would, in the short term, mitigate adverse impacts of economic uncertainties the County is exposed to due to the tax and spending policies of federal and state governments; and imposition of mandates by federal and state governments or the courts. This portion may also be necessary to supplement disaster response in the event the 10% contingency is exhausted. The Cash Carried Over Reserve may not exceed 20% of budgeted operating expenditure appropriations of the M.S.B.U. Fund. The County budget shall be constructed each year so as to maintain this balance intact, utilizing a distinct "Reserves – Cash Carried Over" account for budgeting purposes

The components of the M.S.B.U. Fund Reserves may include the following:

Additional Cash Carried Over Reserves (Cash Carried Over Greater than 10%, but no more than 20%) of Operating Expenditures Budgeted)

Additional spendable reserves budgeted beyond the 10% Contingency Reserve and the 10% Cash Carried Over minimum may be also budgeted in Cash Carried Over Reserves, provided this line does not exceed 20% of M.S.B.U. budgeted operating expenditures.

The proper uses of and methods for appropriating the M.S.B.U. Fund Reserves as defined here shall be:

All Reserves – Reserve accounts in the M.S.B.U. Fund shall generally subject to the same rules and limitations as those Reserve accounts of the similar name and definition that exist in the General Fund, excepting that M.S.B.U. Fund appropriations must also be restricted to the allowances of the enabling legislation creating the funding assessments, and the Cash Carried Over minimum requirement is 10% instead of 15%.

The replacement of the M.S.B.U. Fund Reserves as defined here shall be ordered as follows:

All Reserves – Reserve accounts in the M.S.B.U. Fund shall generally subject to the same order, rules and schedules for replenishment as those Reserve accounts of the similar name and definition that exist in the General Fund.

SECTION 7. Capital Outlay Reserves

General Capital Projects Fund

The General Capital Projects Fund will be utilized to maintain Capital Outlay Reserves for the General Fund and other governmental funds that have use for capital project reserves. The purpose of this fund is to create a reserve account to prepare for large capital projects used to acquire land and construct buildings, improvements, and infrastructure. Contributing funds will transfer monies out into the General Capital Projects Fund to furnish reserves. Each fund's apportionment of the existing reserves will be separately budgeted for, and fund-related reserves not appropriated by Board action in any given fiscal year will be rolled forward to the next fiscal year intact. Funds may be appropriated from the Capital Outlay Reserves into particular capital projects via majority vote of the Board of Commissioners. Funds budgeted from Reserves to expenditure accounts, but not spent, will be similarly rolled forward into the next fiscal year intact. Transportation Trust and M.S.B.U. Reserves, as well as any other reserves sourced from restricted funds, may only be appropriated for those purposes consistent with the allowable uses of the monies if they had remained within their original collecting Special Revenue Fund. Funds appropriated to projects and left over at project completion may be returned to Capital Outlay Reserves, repurposed to another project (restricted funds must go to another analogous purpose), or transferred back to the fund that originally sourced the monies by providing the original transfer into the General Capital Projects Fund. These actions require budgetary approval by majority vote of the Board of Commissioners.

Capital Equipment Replacement Fund

The Capital Equipment Replacement Fund will be utilized to maintain Capital Outlay Reserves for the General Fund and other governmental funds that have use for a capital equipment replacement plan. The purpose of this fund is to create a reserve account to prepare for replacement of capitalized equipment, based on the schedules prepared by Departments, approved by County Management, and funded by action of the Board of County Commissioners. Contributing funds will transfer monies out into the Capital Equipment Replacement Fund to furnish reserves. Each fund's apportionment of the existing reserves will be separately budgeted for, and fund-related reserves not appropriated by Board action in any given fiscal year will be rolled forward to the next fiscal year intact. Funds may be appropriated from the Capital Outlay Reserves for a fiscal year's equipment replacement plan via majority vote of the Board of Commissioners. Transportation Trust and M.S.B.U. Reserves, as well as any other reserves sourced from restricted funds, may only be appropriated for those purposes consistent with the allowable uses of the monies if they had remained within their original collecting Special Revenue Fund. Reserves not appropriated for use may be transferred back to the fund that originally sourced the monies by providing the original transfer into the Capital Equipment Replacement Fund. This requires budgetary approval by majority vote of the Board of Commissioners.

SECTION 8. All Other Governmental Fund Reserves

Other Special Revenue Funds will be budgeted using the reserve principles outlined herein for the major

governmental funds described, and accounted for using the fund balance categories defined herein. The Board does not, however, mandate minimum Contingency Reserves or Cash Carried Over Reserves for those funds, but the County Manager will review the needs of each fund on a case-by-case basis for recommendations to the Board's approval. **Special Revenue Funds** cannot, however, have Unassigned Fund Balance, unless that balance is negative. Fund balance will be considered Assigned unless Committed or Restricted balances exist at year-end. Budgeted year-end reserves will generally be considered Cash Carried Over, excepting any additional Commitments by the Board or Restrictions by external sources. Other **Capital Projects Funds'** balance will be considered Assigned Balances unless Committed or Restricted balances exist at year-end. Upon completion of the projects, remaining projects will be either reallocated by the Board to other capital projects or returned to the original fund(s) providing the initial transfer-in. Where multiple funds have contributed, restricted sources will be considered as "spent first", meaning that, outside of grant matching or other contract requirements, General Fund portions would be considered as "spent last" and the General Fund would therefore be the first fund reimbursed by any residual funds available.

SECTION 9. Enterprise Funds

Note that the "balances" in Enterprise Funds are classified as Net Position per the Governmental Accounting Standards Board (GASB), and these are broken down into just 3 categories: a) Net Investment in Capital Assets, b) Net Position – Restricted, and c) Net Position – Unrestricted. Resources in (a) are generally non-spendable and are not considered for budgeting. Resources in (b) are externally restricted for particular uses within the fund, must be maintained for the restricted use, and are therefore not flexible for budgeting purposes. Thus, this policy addresses Unrestricted Net Position and its use in budgeting Reserves.

Landfill and Utility Funds – Required Components of Reserves

Contingency Reserve

The Landfill and Utility funds of the County must maintain a reserve of 10% of budgeted annual Enterprise Fund operating expenditures to be used to ensure the maintenance of services to the public during non-routine and unforeseen disaster situations, such as hurricanes and other weather-related events, as well as other environmental or other natural disasters, or acts of terrorism, or large-scale accidental catastrophes; that cause disruptions in public services as declared appropriate by the Board of County Commissioners of Columbia County, Florida (the "Board"). The County budget shall be constructed each year so as to maintain this balance intact, utilizing a distinct "Reserves - Contingency" account for budgeting purposes.

Cash Carried Over Reserve

The Landfill and Utility funds of the County must maintain a minimum Cash Carried Over Reserve of 10% of budgeted annual Enterprise Fund operating expenditures to be used for short term cash flow purposes, unanticipated expenditures of a non-recurring nature, to meet unexpected immediate increases in service delivery costs, utility costs, and fuel costs, or to mitigate impacts to fee charges to customers and service levels in the event that an economic downturn should cause an unexpected shortfall in revenues. Similarly, this would, in the short term, mitigate adverse impacts of economic uncertainties the County is exposed to due to the tax and spending policies of federal and state governments; and imposition of mandates by federal and state governments or the courts. This portion may also be necessary to supplement disaster response in the event

the 10% contingency is exhausted. The County budget shall be constructed each year so as to maintain this balance intact, utilizing a distinct “Reserves – Cash Carried Over” account for budgeting purposes.

Capital Outlay Reserves

The Landfill and Utility funds, as Enterprise Funds, must also prepare for necessary equipment replacement and capital improvement projects. As these amounts will fluctuate year-to-year and are beholden to external factors such as population growth, infrastructure aging, and State utility and environmental regulations, this policy cannot quantify a required minimum. The Board does posit that it is a necessary and prudent step for staff to set aside Capital Reserves and annually compare those reserves with necessary upcoming improvements to determine the sufficiency of reserves.

The proper uses of and methods for appropriating the Enterprise Fund Reserves as defined here shall be:

All Reserves – Reserve accounts in the Enterprise Funds shall generally subject to the same rules and limitations as those Reserve accounts of the similar name and definition that exist in the General Fund. Additionally, Contingency funds may be utilized to preserve public health and safety by providing emergency repairs after catastrophic failures of landfill or utility infrastructure, whether or not such a failure was caused by any *specific* natural or man-made disaster, or simply by age and normal use.

The replacement of the Enterprise Fund Reserves as defined here shall be ordered as follows:

All Reserves – Reserve accounts in the Enterprise Funds shall generally subject to the same order, rules and schedules for replenishment as those Reserve accounts of the similar name and definition that exist in the General Fund.

SECTION 10. Additional Information

Additional Information

All corresponding calculations and interpretation of calculations of a definitive nature will be determined by the County Manager or his designee. The County Finance Office of the Clerk of Court may provide advisory and informational input, at the discretion of the County Manager, Commissioners, and the Clerk of Court.

This policy will be reviewed internally every three years or more often when deemed necessary by the County Manager or Clerk’s County Finance Office, generally due to interim changes in accounting pronouncements or State Law. Review shall consider whether any amendments should be presented to the Board.

SECTION 11. Effective Date

This Resolution shall take effect immediately upon adoption. Realignment of Reserve accounts in the financial accounting/budgeting system will take place for the budget year of October 1, 2015 through September 30, 2016.

EXHIBIT A – Fund Balance Types Defined

WHEREAS, the Governmental Accounting Standards issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, clarify the meaning of fund balance on financial statements

Fund Balance- As defined by the *Governmental Accounting, Auditing and Financial Reporting* of the Government Finance Officers Association, fund balance is "The difference between assets and liabilities reported in a governmental fund."

Net Position – The difference between assets and liabilities in enterprise funds. Net position, instead of the categories listed below, is categorized as (1) Net Investment in Capital Assets, (2) Restricted, or (3) Unrestricted

Non-Spendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale.

Restricted Fund Balance - Resources that have *externally enforceable constraints* on their use; can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (ordinance or resolution) of the Board of County Commissioners of COLUMBIA County, Florida (the "Board"), the County's highest level of decision making authority. Commitments may be altered only by the Board taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to contingency reserves and the minimum cash carried over stabilization arrangement are reported in this category. Commitments can only be made or removed by the action of majority vote of the Board.

Assigned Fund Balance – Includes spendable fund balance amounts the County intends to use for a specific purpose, as expressed by the Board or recommended by the County Manager/Budget Officer. This includes resources that are intended to be used for specific purposes but are neither considered restricted or committed.

Unassigned Fund Balance – 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. Unassigned fund balance may also include negative balances for any governmental fund, except the General Fund, if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

EXHIBIT B – Reserve Budgets Explained

WHEREAS, the anticipated total fiscal year beginning spendable fund balance (fund balance excluding non-spendable portions) is the amount used for the budgeted **source** of Cash Balance Forward for a given fund; AND

WHEREAS, the budgeted source of Cash Balance Forward plus total anticipated annual revenues equal the total budgeted sources available for appropriation in a given fund; AND

WHEREAS, the total budgeted sources for any given fund must balance with that fund's total budgeted uses in a fiscal year budget; AND

WHEREAS, the total uses in a given fund's budget are the sum of total expenditure budget appropriated plus total budgeted Reserves; AND

WHEREAS, the budgeted Reserve accounts equal the total anticipated spendable fund balance remainder at fiscal year end after budgeted expenditures are taken from total budgeted sources; This Exhibit thus defines Reserve accounts:

Reserve – A budgetary use account for allocating the excess of budgeted sources over budgeted expenditure appropriation uses for a given fiscal year

Cash Balance Forward (Source) – Anticipated total spendable fund balance at the *beginning* of the fiscal year, for budgetary purposes

Cash Carried Over Reserve (Use) – A reserve account for cash balance anticipated at the *end* of the fiscal year, less any Contingency or other reserves also planned. This reserve serves to provide for short-term cash flow float prior to collections of budgeted revenues each fiscal year, and to stabilize financial activities in dynamic economic environments.

Contingency Reserve (Use) – A reserve account set aside to provide for additional services, and the continuation of essential services, in the event of disaster and emergency situations.

Capital Reserve (Use) – A reserve account to provide for future construction and/or purchases necessary to place capital assets including land, buildings, improvements, and infrastructure, OR to provide for future acquisitions of capital equipment.

Debt Service Reserve (Use) – A reserve account setting aside monies restricted to meet the requirements of the debt covenants for a particular instrument.

Fund Operating Expenditures (Use) – This includes all appropriated expenditures and routine inter-fund transfers out in a given fiscal year, and is *not* limited only to those uses called “Operating Expenditures” per the State of Florida’s Uniform Accounting Manual.