

GENERAL FUND UNRESERVED FUND BALANCE POLICY

August 21, 2023

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning. In most cases, discussions of fund balances will properly focus on a government's **general fund**.

Credit rating agencies carefully monitor levels of fund balance and unreserved fund balance in a government's general fund to evaluate a government's continued creditworthiness. Likewise, laws and regulations often govern appropriate levels of fund balance and unreserved fund balance for state and local governments.

I. POLICY

Clay County will maintain General Fund unreserved fund balances at a level adequate to provide for unanticipated expenditures of a nonrecurring nature and to meet unexpected increases in service delivery costs. The target level for the General Fund unreserved fund balance will be **25%** of budgeted General Fund expenditures.

II PROCEDURES

1. A goal of each year's budgeting process will be to adopt a budget that maintains compliance with the stated General Fund unreserved fund balance policy.
2. Specific County financial conditions, economic conditions, or special initiatives may be considered reasons for temporary non-compliance with this policy.
3. In the event of either planned or unplanned non-compliance, it is the County's intention to take action during the annual budget process to reach compliance within 2 annual budget cycles.
4. Actions in the budget process available to increase the unreserved General Fund balance may include increasing taxes, decreasing spending in specific areas, dedicating one-time revenues to fund reserves, or making transfers of excess fund balance from other funds.
5. If the level of unreserved General Fund balance is judged to be in excess of the amount required by this policy, amounts over that required may be used to fund one-time, non-recurring expenditures such as acquisition of capital items. Excess fund balances will not be used to fund recurring operating expenditures.