

SECTION 5

FUND BALANCE

REPORTING

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NAVAJO COUNTY FISCAL POLICY MANUAL

5.1 INTRODUCTION

This policy provides guidelines for complying with the Governmental Accounting Standards Board (GASB) Fund Balance Reporting and Governmental Fund Type Definitions, and to provide guidelines for the establishment of funds.

5.2 DEFINITION OF FUND BALANCE CATEGORIES

- A. Fund Balance is the term used to describe the arithmetic difference between the assets and liabilities reported in governmental funds.
1. Fund Balance. The residual classification for the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, a negative unassigned fund balance may be reported.
 2. General Fund. Used to account for and report all financial resources not accounted for and reported in another fund.
 3. Special Revenue Funds. Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for a specified purpose other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund.
 4. Capital Projects Funds. Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
 5. Debt Service Funds. Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

5.3 FUND BALANCE CLASSIFICATIONS

- A. The GASB establishes reporting from availability of fund resources for budgeting to the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent.

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1. Non-spendable Fund Balance includes inventories and prepaids, long term portion of loans receivable, and non-financial assets held for resale, legal or contractual provisions that are required to remain intact.
2. Restricted Fund Balance is the net fund resources subject to externally enforceable legal restrictions such as those imposed by grantors; contributors; or laws or regulations of another government; constitutional provisions or enabling legislation.
3. Committed Fund Balance is the portion of fund balance that represents resources the Board of Supervisors has imposed use constraints by limiting the purposes for which resources can be expended.
4. Assigned Fund Balance is the portion of the fund balance that reflects resources assigned for use that is consistent with the Board of Supervisors' intended use.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

5.4 RESPONSIBILITIES:

- A. The Finance Department is responsible for the creation of new funds and maintenance of existing funds in accordance with GASB and Generally Accepted Accounting Principles. Applicable county departments' necessary supporting documents required to help ensure compliance with GASB specifications. This support may include State statutes, contracts, grant awards, and Board of Supervisors minutes, approved resolutions or ordinances. County Departments are responsible to notify the Finance Department when a restricted or committed revenue source is no longer available. For example the Finance Department should be notified, when a State statute is repealed, a grant award expires, a capital project construction is completed, or when the Board of Supervisors rescinds or modifies a prior commitment of a revenue source.
- B. The Finance will make recommendations on fund balance classifications for adoption by the Board of Supervisors as necessary.

5.5 FLOW ASSUMPTION

- A. The Governmental Accounting Standard Board (GASB) has established the following five categories for governmental fund balance:

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Category		Description
Nonspendable		Amounts that are not in a spendable form or that are legally or contractually required to maintain intact.
Restricted		Amounts that are subject to externally enforceable legal restrictions.
Unrestricted	Committed	Committed Amounts whose use is constrained by specific limitations that the government imposes upon itself.
	Assigned	Amounts intended to be used by the government for specific purposes.
	Unassigned	Residual amounts in the General Fund that are available for any purpose.

- B. When both restricted and unrestricted resources are available the County uses restricted resources prior to the use of unrestricted resources to the extent possible

- C. Unrestricted fund balances are used in the order the resources are available; using committed resources first, then assigned and finally unassigned resources.