

**BOARD OF SUPERVISORS  
COUNTY OF NEW KENT, VIRGINIA**

**R-20-11**

At the regular meeting of the New Kent County Board of Supervisors in the Boardroom of the Administration Building in New Kent, Virginia, on the 29<sup>th</sup> day of June, 2011:

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Present:	Vote:
Stran L. Trout	Aye
W. R. Davis, Jr.	Aye
David M. Sparks	Aye
James H. Burrell	Aye
Thomas W. Evelyn	Aye

Motion was made by Mr. Davis, which carried 5:0, to adopt the following resolution:

**RESOLUTION FORMALLY ESTABLISHING  
A POLICY FOR FUND BALANCE RESERVE REQUIREMENTS**

**WHEREAS**, the Commonwealth of Virginia, Auditors of Public Accounts, requires that all local governments issue audited financial statements no later than November 30<sup>th</sup>, annually – in compliance with Generally Accepted Accounting Principles (GAAP); and

**WHEREAS**, the Government Accounting Standards Board (GASB) promulgates accounting standards regarding GAAP for States, Local Governments, and Colleges and Universities within the United States; and

**WHEREAS**, the GASB recently issued "Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions", which will re-define and re-classify the fund balance components of the Governmental Fund Balance Sheet; and

**WHEREAS**, Statement 54 recommends that governments: 1) formally adopt the new components of fund balance; 2) establish the highest level at which funds can be committed or assigned; and 3) define the order of consumption (expenditure) of funds within the fund balance structure, and

**WHEREAS**, it is desirable at this time that the New Kent County Board of Supervisors formally adopt an established financial policy relative to fund balance reserve requirements that has been in practice for a number of fiscal years; and

WHEREAS, the County auditors have reviewed and approved the following language, and recommend that the Board of Supervisors take affirmative action relative to the fund balance requirements of GASB Statement 54.

NOW THEREFORE BE IT RESOLVED this 29th day of June, 2011, that the New Kent County Board of Supervisors hereby (a) establishes the following components of fund balance for Governmental Funds in compliance with GASB Statement 54, (b) defines the order of expenditure within fund balance, (c) defines the highest levels of authority for the commitment and assignment of funds, and (d) formally establishes a reserve requirement for unassigned fund balance:

A. **Components of Fund Balance** - Effective for the fiscal years ending June 30, 2011, Fund Balance relative to Governmental Funds shall consist of the following components.

- **Nonspendable Fund Balance** – includes amounts that cannot be expended as they are either: (a) in nonspendable form; or, (b) legally or contractually required to be maintained intact by the governmental entity. Items in a nonspendable form include inventories and prepaid items. The corpus of an endowment is an example of an amount that is legally or contractually required to be maintained intact and is not available for expenditure.
- **Restricted Fund Balance** – Amounts that are legally constrained for a specific purpose by external parties, constitutional provisions, bond indenture, or enabling legislation. External parties include creditors, grantors, contributors or laws and regulations. Enabling legislation includes any act of law or regulation that authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the enabling legislation. An act of law can originate external to the government or be self imposed through the enactment of an ordinance by the governmental body. The expenditure of resources restriction must originate within the enabling legislation; whereas, funds restricted outside originating legislation will be considered committed or assigned.
- **Committed Fund Balance** – Amounts constrained for a specific purpose by the Board of Supervisors using the highest level of decision-making authority. Removal of the constraint would require another action by the Board of Supervisors. Commitments must be established or removed the Board of Supervisors prior to the end of the fiscal year (June 30<sup>th</sup>) for which the constraint or removal of constraint is desired.
- **Assigned Fund Balance** – Amounts constrained for a specific purpose by the County Administrator. Assignments shall not create a deficit in any fund or segment of fund balance.
- **Unassigned Fund Balance** – Amounts not classified as nonspendable, restricted, committed, or assigned as noted above. The General Fund is the only fund that would report a positive unassigned fund balance.

- B. ***Order of Expenditure Within Fund Balance*** – In circumstances where amounts are expended for which restricted and unrestricted (Committed, Assigned, and Unassigned) amounts are available, the order of expenditure shall be restricted, committed, assigned and unassigned.
- C. ***Unassigned Fund Balance Reserve Requirement*** – The Unassigned Fund Balance shall reflect a balance not to exceed 15% of total budgeted General Fund revenues as reflected in the budget document ending June 30<sup>th</sup> of the current year. All amounts in excess of the 15% minimum requirement shall be transferred to the Capital Projects Fund not later than December 31<sup>st</sup>, annually.

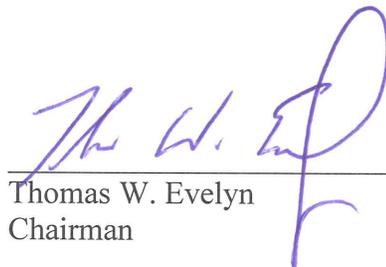
Funds transferred to the Capital Projects Fund shall serve as a “Committed” reserve to fund the future capital requirements of the County. During the annual budget process, the Board of Supervisors shall appropriate a portion of the reserve balance for the procurement of capital improvements in the coming year. As a “Committed” reserve, Board action would be required for the appropriation of the reserve balance for non-capital expenditures.

The County Board may, from time-to-time, appropriate undesignated fund balances that will reduce available fund balances below the 15% “Unassigned Fund Balance Reserve Requirement” policy for purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the County. In such circumstances the Board will adopt a plan to restore the available fund balance to the 15% policy level within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship to the County, then the Board will establish a different but appropriate time period.



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G. Cabell Lawton, IV  
County Administrator



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Thomas W. Evelyn  
Chairman