

Arlington County Fund Balance Discussion With Civic Federation

October 2017

- **GASB – Governmental Accounting Standards Board. Pronounced GAZ-bee.**
- **CAFR – Comprehensive Annual Financial report. Pronounced CAFF-er**

Fund Balance categories

- **Non-spendable – representing amounts that are not in a spendable form such as inventory**
- **Restricted fund balance—representing amounts constrained to specific purposes by their providers such as grants.**

Fund Balance categories

- **Committed fund balance**—amounts *constrained* to specific purposes by the government’s highest level of decision-making authority.
- **Assigned fund balance**—amounts a government *intends* to use for a specific purpose as expressed by the governing body or by an official to which the governing body delegates the authority
- **Unassigned fund balance** – includes fund balance within the General Fund which has not been classified within the above mentioned categories.

- Sound financial management ensures:
 - High credit ratings
 - Market access for: capital financing, key economic development, or other high priority initiatives
- For Rating Agencies, County financial strengths are:
 - Sound reserve levels
 - Fully funded pension plan
 - Funding plans in place for retiree health care
 - Conservative financial forecasting
 - Moderate debt levels
 - Adoption of structurally balanced budgets
 - Formal adoption & adherence to written financial policies
- Triple – Aaa Ratings
 - All three agencies have given County the highest rating possible

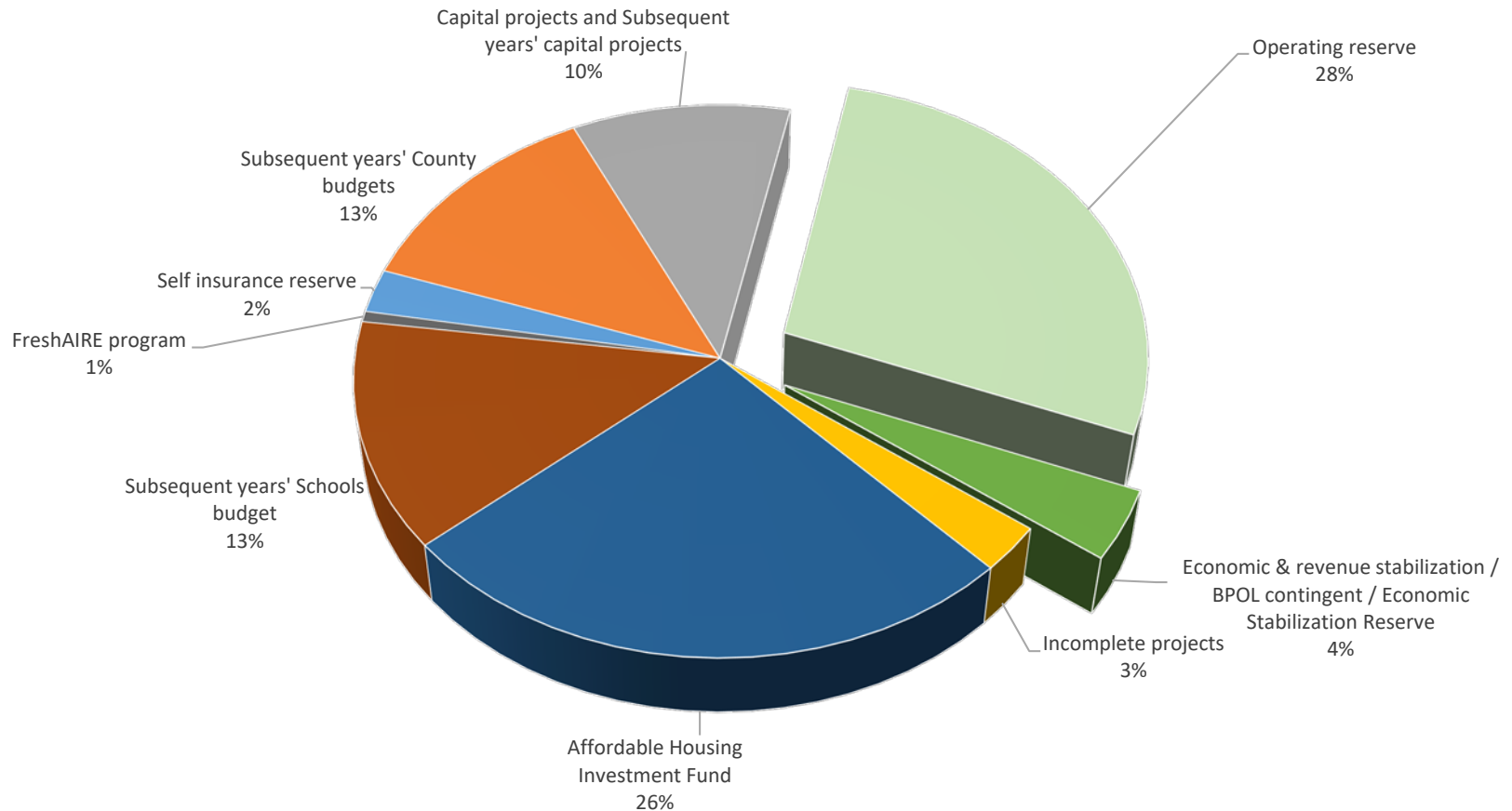
- Typically, fund balances and reserves are generated from:
 - Positive or surplus annual operating results of entity
- Results can be undesignated, or available, as a resource for the next fiscal year
- Results can also be:
 - Legislatively appropriated for specific expenditures in the next fiscal year, which reflects prior legislative decisions (*committed*), or
 - Designated as a resource for future expenditures in subsequent fiscal years (*assigned or “reserved”*) by policy on annual basis, or
 - Unallocated for unexpected expenditures or revenue declines in the immediately succeeding fiscal year (e.g., *contingent or stabilization reserves*), or
 - Unallocated and unavailable for future use except under extreme duress or hardship to address unexpected challenges (e.g., operating reserves)
- Rating agencies’ criteria identify operating results of 5% or better as AAA quality

- Governments also designate contingent reserves for:
 - *Unforeseen extraordinary program expenditures*, like snow removal, storm mitigation, or unexpected infrastructure failures
 - *Surprise declines in revenues* during the fiscal year due to economic events or changes, like the recent financial crisis
 - *Unanticipated service delivery costs*, like program expansion, maintenance costs, or land purchases
 - For *self-insurance* to pay claims against the entity since traditional insurance policies may be unavailable or prohibitively expensive
- Such reserves provide for funding unanticipated expenses or revenue drops without relying on the general operating reserve

- Arlington County's Close-out process:
 - Commit, assign, and designate operating results and prior unexpended commitments, assignments or reserves
 - Re-commit unallocated reserves equal to 5% of County General Fund
- County Fund Balances are:
 - Committed to future expenditures (Schools, Housing, Capital, and others)
 - Assigned to future expenditures for Schools, Housing, Capital, and others
 - Designated for Stabilization, Self-Insurance, and General Operating Reserves

General fund dollars are allocated to County Board-approved projects, services or by policy

Fund Balance Assigned and Committed



General Fund Balance - \$191.2 Million

- **Board has *committed* funding to:**

- Schools
- AHIF
- Capital projects
- Economic and Revenue Stabilization
- Subsequent year's county budget
- Self-insurance reserve
- Incomplete projects
- Operating Reserve

- **Board has *assigned* funding to:**

- Schools
- AHIF
- Capital projects
- Economic and Revenue Stabilization
- Subsequent year's county budget
- FreshAIRE
- Incomplete projects
- Increases to the General Fund Operating Reserve to maintain it at 5% of the total General Fund; this supports the County's triple-AAA rating