



RESOLUTION 2024-01

A RESOLUTION OF THE BOULDER COUNTY BOARD OF HEALTH REGARDING THE BOULDER COUNTY DEPARTMENT OF PUBLIC HEALTH'S FUND BALANCE POLICY CONSISTENT WITH GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54, FUND BALANCE REPORTING, AND GOVERNMENTAL FUND TYPE DEFINITIONS.

WHEREAS, annually the Board of Health adopts and approves the Boulder County Department of Public Health's Recommended and Amended Budget by appointing the Director of Administration and Finance to prepare and submit said budgets to this governing body at the proper time summarizing budgetary needs and changes; and

WHEREAS, each annual budget identifies fund balance and reserve rates and it is prudent for an annual review of the fund balance use and level to ensure consistency with the Governmental Accounting Standards Board, Fund Balance Reporting, and Governmental Fund Type Definitions; and

WHEREAS, the Boulder County Board of Public Health, within their role as stewards of the Department, desire to adopt a fund balance policy to ensure health financial standards, as set forth below.

NOW, THEREFORE, BE IT RESOLVED BY THE BOULDER COUNTY BOARD OF HEALTH, BOULDER COUNTY, COLORADO:

SECTION 1. PURPOSE

This policy relates to the classification and use of Boulder County Public Health (BCPH) fund balances, and describes the plan for financial reserves and emergency funds to support the strategic goal of financial sustainability and stewardship.

SECTION 2. APPLICABILITY

This policy applies to the BCPH General Fund as well as all other governmental funds and is consistent with **GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54 – FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS, (GASB 54)**. Governmental funds are used to account for governmental activities that are principally supported by taxes and intergovernmental revenues. In BCPH, this includes all fund categories once allocated to the Department.

SECTION 3. POLICY

A. GENERAL FUND

1. The General Fund is normally used to account for and report all financial resources not accounted for and reported in another fund; these resources are generally not restricted to specific purposes.
2. The General Fund serves as the primary operating fund of the Department and has broader mandates; including accumulating sufficient resources for the administration of BCPH, provision of services that have no dedicated funding, and for contingency mitigation. Due to these important mandates, the General Fund is often viewed as a measure of the financial health of the Department. As such, it is regularly scrutinized by grantors, the Board, leadership, auditors, and other potential BCPH financial partners.
3. For the above reasons, General Fund resources should be used sparingly and the General Fund should be the fund of last resort. All other allocated funds should be expended first, under eligible and allowable costs, before General Fund resources are drawn on.

B. FUND BALANCE CLASSIFICATION AND USE

1. Fund balance in governmental funds essentially represents working capital which can be used either as a reserve to buffer for daily cash flow management or for spending in future years. In order to determine what portion of fund balance is available for spending in a future budget, the fund balance is broken down into five different categories denoting various levels of restrictions. The five classifications conform to GASB 54 and are, in order of decreasing constraint:



- i) **Nonspendable Fund Balance** - These amounts cannot be spent due to their nature (e.g. prepaid amounts, equipment) or are amounts which must be maintained intact legally or contractually (e.g. Capital fund).
- ii) **Restricted Fund Balance** - These amounts are constrained for a specific purpose by external parties, constitutional provision, or enabling legislation. The constraints are imposed by either laws, grantors, counsel, contributors, or creditors. The constraints can typically only be removed by the imposing party or under legal advisement.
- iii) **Committed Fund Balance** - These amounts are constrained for a specific purpose by the Board of Health. A board resolution is required to impose, remove, or change the constraints placed on these resources. Committed fund balance may also incorporate board-approved contractual obligations to the extent existing resources in the fund have been specifically and appropriately committed for use in satisfying those contractual requirements.
 - a. **Annual Contingency Fund** - These amounts provide the first line of defense against uncertainty and are budgeted in specific funds to cover minor unanticipated needs of a non-recurring nature which may arise throughout the year or provide for small increases in service delivery costs not anticipated or quantifiable during budget development.

These funds are determined through an annual process in which program managers submit Program Exception Requests. During the annual budget process, the Director of Administration and Finance will recommend a specific level of appropriation for contingency (usually 1% - 3% of total budgeted expenditures) in specific funds based on the level of assessed risk to the Board of Health.

- b. **Emergency Preparedness Contingency** - This fund is used to ensure the maintenance of necessary public health services and supports during emergency or natural disaster situations. The Board of Health annually votes of the level of funds set aside in this contingency balance. When funds need to be utilized, the Executive Director and Director of Administration and Finance will prepare a resolution identifying the amount and use. Funds should then be allocated each year in the budget process to replace any use of the Emergency Contingency Fund during the preceding fiscal year to maintain the balance of approved by the Board.
- iv) **Assigned Fund Balance** - In funds other than the General Fund, these amounts are any remaining positive amount not classified in the above-listed categories. For example, any positive balance which is not nonspendable, restricted, or committed, is automatically reported as assigned fund balance.

In the General Fund, assigned amounts reflect intended uses of resources and may be constrained for a specific purpose by the Executive Director, Director of Administration and Finance, or through Board of Health action. Such constraint can be changed or removed by the same officers. Such assignment and subsequent changes should be reported at least annually to the Board as part of the Recommended and Amended Budget. For BCPH, this is typically the use of General Funds to balance the budget.

Assigned amounts cannot cause a deficit in unassigned fund balance in the General Fund.

- v) **Unassigned Fund Balance** – These amounts have no restriction of any kind. By definition, a positive unassigned fund balance can exist only in the General Fund. In other governmental funds, there can only be zero or negative unassigned fund balance (residual deficit).
- vi) **Unrestricted Fund Balance** – This term is used to refer to the aggregate of all funds that are not restricted. This would be the sum of committed, assigned, and unassigned fund balances as described above.

C. ORDER OF SPENDING

1. In order to preserve maximum flexibility, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is presumed restricted funds are spent first.
2. Similarly, when an expenditure is incurred for purposes for which amounts in any unrestricted fund balances could be used, it is presumed the committed amounts are spent first, then the assigned amounts, then the unassigned amounts.
3. Upon recommendation of either the Executive Director or Director of Administration and Finance, the Board of Health may authorize a different order of spending in specific cases.

D. RESERVE FUNDS

1. Purpose

Financial reserves are established to accumulate sufficient assets to pay known future liabilities or expenditures associated with known events which can be estimated with a reasonable degree of certainty. For all intents and purposes, the Reserves within BCPH are considered the Unrestricted Fund Balance. The Board of Health may establish such reserves upon recommendation of the Director of Administration and Finance. The purposes of these reserves may include, but are not limited to:

- i) Environmental health remediation
- ii) Audit disallowance
- iii) Debt abatement
- iv) Unanticipated expenditures to address revenue shortfalls

2. General Fund Reserve

The purpose of General Fund Reserve is to protect Boulder County Public Health's essential services from the potential impacts of unanticipated events and circumstances not occurring during the normal course of operations, for example:

- i) Severe economic downturn;
- ii) Severe funding reductions from funding agencies necessitating significant decreases in essential health and safety services even after other mitigating options have been implemented;
- iii) Severe budgets impact necessitating significant decreases in essential health and safety services even after other mitigating options have been implemented;
- iv) Disasters resulting in a declared state of emergency by either or both the Governor and the President requiring significant expenditure of local resources.

The target balance in the reserve shall be set at fifteen percent (15%) of the total operating expenditures reported in the Department's annual financial report, with a maximum level of twenty percent (20%). A fifteen percent (15%) reserve is considered a prudent amount to fund essential health and safety services for approximately two (2) months. Beyond a twenty percent (20%) reserve would only be allowable when large infrastructure projects or heavy new system implementation is expected to occur. The Director of Administration and Finance shall calculate the annual required reserve rate and provide this information to the Board of Health during the annual budget recommendation and amendment.

Drawdown on the General Reserve shall be authorized by the Board of Health during the adoption of the recommended and amended budget and should be limited to unanticipated and non-recurring needs. Reserve balances should not be used for ongoing normal operating needs.

If the Reserve Funds are depleted below the levels established by this policy, the Director of Administration and Finance and the Executive Director shall develop a plan to restore the balances over a period of no more than three (3) years, with Board of Health approval. The Restoration Plan shall include recommendations on rate or fee adjustments, as well as expenditure reductions, reduction in force, and other operation expenses as may be appropriate. The Restoration Plan shall be reviewed semi-annually until the policy levels are reached again.

3. Annual Review

The adequacy of reserves and their status should be reviewed annually as part of the budget process.

SECTION 4. That the policy, as submitted, and hereinabove summarized, is approved and adopted as the Fund Balance Policy of the Boulder County Department of Public Health.

ADOPTED this 8th day of April, 2024.



Morgan McMillan, President
Boulder County Board of Health