

June 25, 2018

**SUBJECT:****Visitors and Convention Bureau Fund Balance, Reserves, and Contingencies****ORIGINATING DEPARTMENT:****Management & Budget**

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**PURPOSE:**

To adopt a Fund Balance policy to comply with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establish criteria and procedures for utilizing reserves and contingencies, and to provide for a sustainable, sound fiscal policy which:

- Provides working capital until receipt of tax revenues,
- Provides for unexpected contingencies and natural disasters,
- Is favorably viewed by rating agencies and banks in evaluating the credit worthiness of Citrus County, and
- Allows the Visitors and Convention Bureau remain self- sustainable through temporary revenue and/or expenditure fluctuations

**BACKGROUND:**

Fund Balance is an important measure representing the difference between a fund's assets and liabilities. Fund balance serves as a measure of the financial resources available within a governmental fund. A hierarchy of fund balance classifications exists based primarily on the extent to which governments are bound by constraints on resources reported in the funds. That hierarchy is: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Reserves and Contingencies are accounts used to either indicate that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation or funds which are set aside to cover emergencies or unforeseen events that occur during the fiscal year, such as new federal mandates, shortfalls in revenue and unanticipated expenditures.

**DEFINITIONS:**

Fund Balance – the difference between assets and liabilities reported in a governmental fund.

Non-Spendable Fund Balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates authority.

Unrestricted Fund Balance – The total of committed fund balance, assigned fund balance and unassigned fund balance.

Reserve- An account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.

Contingency- Funds which are set aside to cover emergencies or unforeseen events that occur during the fiscal year, such as new federal mandates, shortfalls in revenue and unanticipated expenditures.

Operating Budget – The total Visitors and Convention Bureau (including Visit Citrus Magazine) budget less capital outlay, special projects funding, reserves and transfers.

#### **PROCEDURES:**

1. Spending Order of Fund Balances – Restricted amounts shall be spent first when both restricted and unrestricted fund balance are available, unless there are legal documents/contracts prohibiting it, such as grant agreements. Further, the order of priority shall be Committed Fund Balance, followed by Assigned Fund Balance, and then Unassigned Fund Balance when expenditures are incurred for purposes for which amounts in any of the Unrestricted Fund Balance classifications could be used.
2. Effective March 1, 2017, the Tourist Development Tax (TDT) was increased from 3% to 5%. The first 1% of collections is to be restricted to capital expenditures and will be budgeted in the account titled "Reserve for Capital Projects" in a fund separate from the operating budget. Requests for use of reserve accounts must be approved by the Board of County Commissioners and may come through recommendations made by the Tourist Development Council (TDC).
3. Level of Fund Balance – The County will establish a target fund balance in the Visitors and Convention Bureau of sixty percent (60%) of the Visitors and Convention Bureau operating budget. Annual contributions will be budgeted from Visitors and Convention Bureau resources as available to maintain the target reserve level.
4. It will be the policy for the County to apply the above criteria for annual analysis during its budgeting process. The reserve carry forward will be presented to the Board for approval as part of the annual budgeting process; any deviation from the policy shall be documented and presented at this time. If the fund balance is outside of the established range (0%-60% of the Visitors and Convention Bureau operating expenditures), the proposed budget must include a multi-year plan of action to achieve compliance with the established range.

5. Surplus fund balance – should the fund balance of the Visitors and Convention Bureau exceed the maximum sixty percent (60%), the excess shall be used for Special Projects/Contracts. The Board will consider such fund balance surpluses for nonrecurring expenditures.
6. The County will include all projected fund balances in the annual budget. All reserves will be presented in the annual budget. It is the intent to appropriate all Reserve Cash Forward for the fiscal year through utilization to balance the budget, fund operating reserves, and special projects/contracts.
7. On an annual basis, after the year-end audit has been completed, but no later than May 1, the County Administrator shall produce a schedule of all fund balances, projected and actual, with projections of reserve requirements and a plan for the use of any excess surplus for the current year.
8. Requests for use of reserve accounts must be approved by the Board of County Commissioners. The Board will use the procedures and evaluation criteria as set forth in this policy. Evaluation criteria may consist of one or more of the following:
  - a) Ensure consistency with other Board policy.
  - b) Determine the urgency of the request.
  - c) Review the scope of services to be provided.
  - d) Consider the short- and long-term fiscal impact of the request.
  - e) Review alternative methods of funding or providing the services.
  - f) Determine duplication of services with other agencies.
  - g) Determine efforts to secure non-County funding.
  - h) Determine why funding was not sought during the normal budget cycle.
  - i) Review the impact of not funding or delaying funding to the next fiscal year.

**FOOTNOTES & REFERENCES TO RELATED AR's:**

Supersedes: AR 6.06 dated February 23, 2016 and AR 6.06-1 dated March 14, 2017.