



Policy 2003 Fund Balance and Unrestricted Net Position

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Board or Administrative: Board

Policy Statement

~~It is the policy of Dakota County to establish a minimum fund balance in its General Fund, Environmental Legacy Fund (ELF), Byllesby Dam Enterprise Fund, Transportation Fund, and Regional Rail Authority Fund considering the following:~~Dakota County establishes appropriate fund balance thresholds in its governmental and enterprise funds, considering the following:

- Local government best practices
- The predictability of revenues and expenditures
- Commitments and assignments of fund balance for a specific purpose
- Potential ~~transfer~~transfers from one fund to another
- Potential impact on bond ratings and the corresponding cost of borrowed funds

Compliance with fund balance policies provides for a stable financial environment for County operations that allows the County to provide quality services to County residents in a fiscally responsible manner designed to maintain services and taxes/fees in a consistent manner over time.

The County Board complies with the requirements of the Governmental Accounting Standards Board Statement 54 (GASB 54) for the standards for reporting its fund balances in its financial statements.

Definitions

- Governmental fund: fund type designed to account for activities primarily supported by taxes, grants, and similar revenue sources, using a modified accrual basis of accounting with current financial resources measurement focus.
- Proprietary fund: a fund type used to account for activities that receive significant financial support from fees and charges for goods and services, accounted for using the full accrual basis of accounting with an economic resources measurement focus. Includes both enterprise funds and internal service funds.
- Enterprise fund: a proprietary fund type used to account for activities that provide services to external users in exchange for fees or charges, operating on a self-supporting



basis similar to a business, using a full accrual basis of accounting with an economic resources measurement focus.

- Internal service fund: a proprietary fund type used to account for services provided by one government unit to other units within the same government on a cost-reimbursement basis.
- General Fund: the primary operating fund that accounts for all financial resources not required to be accounted for in another fund, financed primarily through taxes and other general revenues.
- Special Revenue Fund: funds that account for specific revenue sources restricted or committed to specific purposes other than debt service or capital projects, such as grant revenues for specific programs or dedicated tax revenues.
- Capital Projects Fund: fund that accounts for financial resources restricted, committed, or assigned to capital outlays, including the acquisition and construction of capital facilities, equipment, and other capital assets.
- Debt Service Fund: fund that accounts for financial resources restricted, committed, or assigned to payment of principal and interest on long-term debt financed by governmental funds, and the accumulation of resources for future principal and interest payments.
- Component Unit: a legally separate organization for which a government is financially accountable, or whose exclusion would make the government's financial statements misleading or incomplete.
- Blended Component Unit: a component unit so closely intertwined with the primary government that its funds and activities are combined with, rather than shown separately from, the primary government's funds in the financial statements.
- Fund Balance: the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources in a governmental fund.
- Non-Spendable Fund Balance: the amount of fund balance that may not be spent as it is either not in spendable form or there is a legal or contractual requirement for the funds to remain intact.
- Spendable Fund Balance: the amount of fund balance that may be spent consistent with applicable constraints.
- Restricted Fund Balance: funds in connection with which there are constraints on spending that are legally enforceable by outside parties (e.g., unspent bond proceeds, grants earned but not spent, items restricted by state statute).
- Committed Fund Balance: funds in connection with which there are constraints on spending that the County has imposed upon itself by action of the County Board prior to the close of the fiscal year (e.g., County Board action to set aside a specific dollar amount for new park equipment).



- *Assigned Fund Balance*: funds that are intended to be used by the County for specific purposes established either by the County Board through adoption of operational plans or by an individual or body that has been properly delegated the authority to establish such purposes.
- *Unassigned Fund Balance*: residual funds that are spendable but not restricted, committed, or assigned. Only applicable to the General Fund.
- *Unrestricted net position*: the residual amount of net position that is not classified as either net investment in capital assets or restricted net position. It represents the portion of enterprise fund's net position that is available for general operational purposes without external or internal restrictions on its use.

Source

Dakota County Board Resolution 11-630, adopted on December 13, 2011

Dakota County Board Resolution 12-625, adopted on December 11, 2012

Dakota County Board Resolution 19-781, adopted on October 29, 2019

Dakota County Board Resolution 23-431, adopted on September 26, 2023

Dakota County Board Resolution XX-XXX, adopted on June 23, 2026

Government Finance Officers' Association; Governmental Accounting Standards Board (GASB) Statement No. 54

Office of the State Auditor, State of Minnesota, Statement of Position: Fund Balances for Local Governments Based on GASB Statement No. 54

General

At the end of each fiscal year, the County shall report the portion of the Fund Balance that is not spendable as Non-Spendable Fund Balance on its financial statements.

At the end of each fiscal year, the County shall report the portion of the Fund Balance that is restricted as Restricted Fund Balance on its financial statements.

Prior to the end of each fiscal year, the County will adopt (a) resolution(s) establishing its Commitments for the expenditure of funds for specific purposes.

The County Board delegates to its ~~Finance Director~~County Manager the authority to assign unexpended funds to the Assigned Fund Balance in accordance with adopted County ~~operational plans~~budgets, plans, and policies.



It is County policy to expend Restricted Fund Balances first when an expenditure is incurred for which both restricted and unrestricted funds (Committed, Assigned, Unassigned) are available. If no restricted funds are available, the County will first expend Committed Fund Balance (if funds were so committed). If no funds were committed, then Assigned Fund Balance will be expended (if funds were so assigned). Lastly, the County will expend Unassigned Fund Balance.

This policy will be reviewed at least every three years, or more frequently as needed in response to changes in GASB standards, guidance from the Office of the State Auditor, or significant changes in County financial conditions.

Governmental Funds

General Fund

~~The County maintains an unassigned General Fund balance greater than 20 percent of the General Fund operating expenditures at the end of the fiscal year. This policy ensures that funds are available for working capital and to maintain a margin to address local and regional emergencies without borrowing. If, during the year, the amounts assigned for cash flow fall below this range, the County Manager reports such amounts to the County Board as soon as is practical after the end of the fiscal year. If the amount falls below the range, the County Board will adopt a plan to restore the appropriate levels. If the amount exceeds the range, excess funds shall remain unassigned pending County Board action transferring amounts to another fund.~~

The County maintains a minimum unassigned General Fund balance greater than or equal to 35 percent of the General Fund expenditures at the end of the fiscal year, and a maximum unassigned General Fund balance less than or equal to 50 percent of General Fund expenditures at the end of the fiscal year. This policy range ensures that funds are available for working capital, maintains a margin to address local and regional emergencies without borrowing, and reduces dependence on state and federal funding, while avoiding accumulating excess reserves. If unassigned fund balance falls below this threshold, the County Manager reports such amounts to the County Board as soon as is practical after the end of the fiscal year. If the amount falls materially below the minimum threshold, the County Board will adopt a restoration plan to restore unassigned fund balance to the appropriate levels.

If the unassigned fund balance falls below 10 percent, the Board will adopt a phased restoration plan according to the following schedule, measured from the end of the fiscal year in which the deficiency is first reported:

- Within three years, the County shall restore unassigned General Fund balance to no less than 15 percent of General Fund expenditures.



- Within five years, the County shall restore unassigned General Fund balance to no less than 20 percent of General Fund expenditures.
- Within ten years, the County shall restore unassigned General Fund balance to no less than the full policy minimum of 35 percent of General Fund expenditures.

The County Manager shall present an annual progress report to the County Board no later than 120 days following the close of each fiscal year during any active replenishment period. The report shall include the current unassigned fund balance as a percentage of General Fund expenditures, progress towards the applicable interim milestone, identification of factors that contributed to or hindered progress during the preceding fiscal year, and recommended actions to maintain or accelerate the replenishment trajectory.

If progress toward any interim milestone falls materially behind schedule, the County Manager shall present to the County Board a revised restoration plan that identifies specific revenue enhancements, expenditure reductions, or balance reclassifications necessary to achieve the next milestone. The County Board shall act on such a revised plan within 90 days of its presentation.

The replenishment schedule set forth above represents minimum expected progress. Nothing in this section shall preclude the County from restoring unassigned fund balance at a pace faster than the schedule requires. In the event of extraordinary circumstances – including but not limited to economic recession, natural disaster, loss of intergovernmental revenue, or unfunded state or federal mandates – the County Board may, by resolution, extend the timeline for achieving the next applicable milestone by up to two fiscal years per occurrence, provided that the total replenishment period shall not exceed 15 years from the date of initial deficiency.

The County Board may, by resolution, authorize the temporary use of unassigned fund balance below the policy minimum in response to non-recurring needs, provided that such action is accompanied by a restoration plan consistent with the above schedule.

If the amount exceeds the maximum of the range, the County Manager reports such amounts to the County Board as soon as is practical after the end of the fiscal year. If the amount exceeds the maximum of the range, the County Manager will recommend to the County Board a plan to utilize the excess reserves, which may include one-time tax relief, one-time capital investment, debt defeasance, or transfers to other funds for allowable purposes.

Environmental Legacy Fund

The County maintains a minimum fund balance at year end equal to or greater than two times the actual ELF expenditures from the prior year's operating funds in the Environmental Resources Department budget. If the balance is below the minimum, the County Manager must propose a budget to the Board of Commissioners that restores the minimum fund balance in the following budget year.



Byllesby Dam Enterprise

The County maintains an Emergency Fund balance and a Future Capital Maintenance balance in the Byllesby Dam Enterprise Fund.

- a. The County shall maintain an Emergency Fund balance of \$350,000 at the end of 2020. The minimum fund balance will be inflated annually by the CPI using the Bureau of Labor Statistics CPI Inflation Calculator, plus an allowance for dam insurance deductibles. The emergency fund balance shall be utilized for maintenance emergencies and other unforeseen expenses. It will also fund annual operating expenses when, during the year, expenses exceed the hydropower revenues for that one year. This balance will be replenished with any additional annual revenues to ensure it is maintained at or above the minimum in this policy.
- b. The County shall maintain a Future Capital Maintenance Fund balance. When there is excess revenue, 10% of that additional revenue will be deposited into this fund to provide for future maintenance expenses.

Regional Rail Authority

The County maintains the Regional Rail Authority Fund. The balance of this fund shall be sufficient for the interest to cover the annual operating expenses.

Transportation

The County maintains 50 percent of the Transportation operating expenditures at the end of the fiscal year for working capital to address the future Transportation Department's operating costs. If, during the year, the amounts assigned for cash flow fall below this range, the County Manager reports such amounts to the County Board as soon as is practical after the end of the fiscal year. If the amount falls below the range, the County Board will adopt a plan to restore the appropriate levels. If the amount exceeds the range, no action is needed.

It is County policy to expend Restricted Fund Balances first when an expenditure is incurred for which both restricted and unrestricted funds (Committed, Assigned, Unassigned) are available. If only restricted funds are available, the County will first expend Committed Fund Balance (if funds were so committed). If no funds were committed, then Assigned Fund Balance will be expended (if funds were so assigned). Lastly, the County will expend Unassigned Fund Balance.

Transportation Fund

The Transportation Fund (also referred to as the Highway Fund) is a special revenue fund whose primary purpose is to fund transportation capital projects and Transportation Department operating expenditures. The County maintains a minimum spendable fund balance at year-end greater than or equal to 35 percent of total Transportation Fund expenditures at the end of the fiscal year. This policy minimum ensures that funds are available for working capital and to cash



flow capital project expenditures that are subsequently reimbursed by state, federal, and local partners. If, at the end of the fiscal year, the fund balance falls below this level, the County Manager will report to the County Board as soon as is practical after the end of the fiscal year. If the fund balance falls below this threshold, the County Board will adopt a plan to restore fund balance to the appropriate level within three years, measured from the end of the fiscal year in which the deficiency was first reported.

Environmental Legacy Fund

The Environmental Legacy Fund (also referred to as “ELF”) is a special revenue fund that is set up to record the revenues from host fee agreements with landfills in Dakota County, along with other fees collected for the protection and preservation of the environment. Although the proceeds reported in this fund are from specific revenue sources, the use of these funds are for costs related to environmental projects and the Environmental Resources Department. The County maintains a minimum fund balance at year-end greater than or equal to 35 percent of total Environmental Legacy Fund expenditures at the end of the fiscal year. This policy minimum ensures that funds are available for working capital and to support capital project expenditures. If, at the end of the fiscal year, the fund balance falls below this level, the County Manager will report to the County Board as soon as is practical after the end of the fiscal year. If the fund balance falls below this threshold, the County Board will adopt a plan to restore fund balance to the appropriate level within three years, measured from the end of the fiscal year in which the deficiency was first reported.

Sales and Use Tax Fund

The Sales and Use Tax Fund (also referred to as the DC Transportation Sales Tax Fund) is a special revenue fund that was established in 2017 after the dissolution of the County Transit Improvement Board (CTIB) to record sales and use tax revenues and expenditures of capital projects funded with the proceeds from sales and use tax revenues. This fund is restricted for statutorily defined transportation and transit projects. The County maintains a minimum fund balance at year-end greater than or equal to 35 percent of total Sales and Use Tax Fund expenditures and transfers at the end of the fiscal year, and a maximum fund balance of 200 percent of total Sales and Use Tax Fund expenditures and transfers at the end of the fiscal year. This policy minimum ensures adequate cash flow for project expenditure while maintaining compliance with Minnesota Statute § 297A.993 which requires that taxes terminate when revenues are sufficient to finance projects. If, at the end of the fiscal year, the fund balance falls below the 35 percent threshold or exceeds the maximum 200 percent threshold, the County Manager will report to the County Board as soon as is practical after the end of the fiscal year. If the fund balance falls below the 35 percent threshold, the County Board will adopt a plan to restore fund balance to the appropriate level. If the balance exceeds the maximum 200 percent threshold, staff will review to determine if sufficient funds have been raised for the current enumerated projects and whether additional projects can be added to the capital improvement



program plan. If sufficient funds have been raised for the current enumerated projects, the County Board may determine to terminate the tax or add new enumerated projects after a public hearing.

Parks Fund

The Parks Fund is a special revenue fund established for park acquisition, development, and operating costs. Revenues of the Parks Fund come from property tax levy, fees and charges for services, and intergovernmental grants from the state, federal government, and Metropolitan Council. The County maintains a minimum fund balance at year-end greater than or equal to 35 percent of total Parks Fund expenditures at the end of the fiscal year. This policy minimum ensures that sufficient funds are available for working capital and to cash flow capital project expenditures until costs are reimbursed from outside funding. If, at the end of the fiscal year, the fund balance falls below this level, the County Manager will report to the County Board as soon as is practical after the end of the fiscal year. If the fund balance falls below this threshold, the County Board will adopt a plan to restore fund balance to the appropriate level within three years, measured from the end of the fiscal year in which the deficiency was first reported.

Library Fund

The Library Fund is a special revenue fund established to account for the operating costs of the library system and is primarily funded by the annual property tax levy. Because the Library is governed as a County department by the Board of Commissioners (rather than by a standalone library board) and its revenues are not substantially restricted or committed as contemplated by GASB Statement No. 54, the Library Fund will be consolidated into the General Fund effective January 1, 2027. Prior-year comparative amounts will be reclassified to conform to the new presentation. The County will continue to maintain sufficient departmental accounting detail within the General Fund to support annual reporting to the Minnesota Department of Education under Minnesota Statute § 134.13, and to demonstrate compliance with county financial support requirements under Minnesota Statutes, § 134.34 and § 134.341.

Upon consolidation, any donor-restricted, grant-restricted, or endowment resources associated with library operations will continue to be reported as restricted or non-spendable fund balance within the General Fund.

Attorney Forfeiture Fund

The Attorney Forfeiture Fund is a special revenue fund that accounts for 20 percent of the proceeds from the sale of forfeited property, which is distributed to the County Attorney's Office as a supplement to operating funds for prosecutorial purposes. Annually, the County Manager will report to the County Attorney the available fund balance in the Attorney Forfeiture Fund. The County Attorney will adopt a plan to align expenditures from this fund with available resources.



Dakota County Law Library Fund

The Dakota County Law Library Fund is a special revenue fund that accounts for revenues and expenditures of the Dakota County Law Library (“Law Library”). The Law Library is established pursuant to Minnesota Statute § 134A and is managed by a board of trustees. Revenues are derived from fees collected from certain litigants and expenditures are primarily related to law books and administrative and personal service costs. The County recommends the Law Library establish a fund balance policy by resolution. If the Law Library adopts a fund balance policy and the balance falls below the policy level, the County Manager will report to the Law Library Manager as soon as is practical after the end of the fiscal year.

Opioid Settlement Fund

The Opioid Settlement Fund is a special revenue fund established to account for the activity related to settlement agreements reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. These funds are intended to be expended on strategies, programming, and services to abate the opioid epidemic. The County Manager will report annually to the Board the amount of fund balance available in the Opioid Settlement Fund and will report on the plans for expending available resources. Once the revenues from opioid settlement agreements have been fully expended, the fund will either be closed or repurposed by Board action, as no additional opioid settlement activity will occur.

Federal Revenue Fund

The Federal Revenue Fund is a special revenue fund that was established in 2021 to account for the activity of the State and Local Fiscal Recovery Fund (SLFRF) payments that were allocated to Dakota County through the American Rescue Plan Act (ARP). The SLFRF funds are held as unearned revenue that is recognized as expenditures occur; as such, the fund balance of this fund should be \$0 at the end of the fiscal year. The SLFRF funds will be fully expended as of December 31, 2026. After December 31, 2026, this fund will either be closed or repurposed by Board action, as no additional SLFRF activity will occur.

Dakota County Regional Rail Authority Fund

The Dakota County Regional Rail Authority Fund is a special revenue fund established to account for revenues and expenditures of the Dakota County Regional Rail Authority (“DCRRA”), which was established by the Dakota County Board of Commissioners to plan and develop light rail and other transit alternatives within the County pursuant to Minnesota Statute § 398A. The seven-member DCRRA Board is appointed by the Dakota County Board of Commissioners. Currently, the DCRRA Board consists of the seven Dakota County Commissioners. The Authority has the power to levy taxes, issue bonds and enter into contracts and agreements. The Authority was established to promote the development of transit options for the County, maintain involvement in metropolitan activities, including light rail transit and



transit-related linkages, and play a role in the acquisition of abandoned railroad right-of-way for transportation purposes. Pursuant to a joint powers' agreement, Dakota County staff perform operational duties for the DCRRA and Dakota County includes its activity as a blended component unit since there is a mutual financial benefit. The County recommends the DCRRA establish a fund balance policy by resolution. If the DCRRA adopts a fund balance policy and the balance falls below the policy level, the County Manager will report to the DCRRA Board as soon as is practical after the end of the fiscal year.

Capital Projects Fund

The Capital Projects Fund accounts for the costs of major facilities construction projects. The primary funding sources for the Capital Projects Fund are property tax levy, county program aid (CPA), debt, and transfers of General Fund unassigned fund balance. The County maintains a policy that the fund balance of the Capital Projects Fund should never fall below \$0 at the end of the fiscal year. The only exception to this policy is a negative fund balance caused by timing issues (i.e., expenditures that are funded wholly via reimbursable grant revenues that have not yet been received or expenditures that will be reimbursed entirely with proceeds from bonds issued in a subsequent year). If the fund balance falls below this level, the County Manager is authorized to transfer General Fund unassigned fund balance to bring the Capital Projects Fund balance to \$0.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, principal and interest on long-term debt. The County maintains a minimum fund balance at the end of the fiscal year equal to all scheduled debt service payments in the first six months of the subsequent fiscal year. In addition to this policy minimum, the County will comply with any reserve or minimum balance requirements specified in bond covenants or debt agreements. Where such covenants require a higher balance, the higher requirement will be the minimum fund balance. If, at the end of the fiscal year, the fund balance falls below this level, the County Manager will report to the County Board as soon as is practical after the end of the fiscal year. If the fund balance falls below this threshold, the County Board will adopt a plan to restore fund balance to the appropriate level within 60 days of the County Manager's report.

Proprietary Funds

Byllesby Dam Enterprise Fund

The Byllesby Dam Enterprise Fund accounts for the net revenue generated from producing electricity at the Byllesby Dam hydroelectric facility and the expenditures associated with the operations, maintenance, and capital improvements of the Byllesby Dam. The County maintains a minimum unrestricted net position at year-end greater than or equal to 10 percent of the original cost of capital assets put into use, plus 50 percent of the total Byllesby Dam Enterprise



Fund operating expenditures at the end of the fiscal year. The original cost of capital assets put into use, as reported in the audited financial statements, will be used to calculate this component annually. This policy minimum ensures that sufficient funds are available for working capital, while ensuring that funds are available for emergency purchases and necessary capital improvements. If, at the end of the fiscal year, the unrestricted net position falls below this level, the County Manager will report to the County Board as soon as is practical after the end of the fiscal year. If the unrestricted net position falls below this threshold, the County Board will adopt a plan to restore unrestricted net position to the appropriate level within three years, measured from the end of the fiscal year in which the deficiency was first reported.

Geographic Information System Enterprise Fund

The Geographic Information System (GIS) Fund is set up to account for the sale of geographic data and maps. The County maintains a minimum unrestricted net position at year-end greater than or equal to 50 percent of the total costs of the GIS Fund at the end of the fiscal year. This policy minimum ensures that sufficient funds are available for operating the GIS program. If, at the end of the fiscal year, the unrestricted net position falls below this level, the County Manager will report to the County Board as soon as is practical after the end of the fiscal year. If the unrestricted net position falls below this threshold, the County Board will adopt a plan to restore unrestricted net position to the appropriate level within three years, measured from the end of the fiscal year in which the deficiency was first reported.

Procedures

Procedures will be maintained by Finance.

History

Version	Revision Date
1.0	12/13/2011
2.0	12/11/2012
3.0	10/29/2019
4.0	09/26/2023
<u>5.0</u>	<u>06/23/2026</u>



Related Policies

- None

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Approval

Resolution No. ~~23-431~~[XX-XXX](#); ~~September 26, 2023~~[June 23, 2026](#)