

Category: 200

Number: 215

Subject: **FUND BALANCE POLICY**

Purpose: The purpose of this policy is to:

1. To establish appropriate levels of reserves for the Funds of St. Clair County.
2. Ensure that adequate cash flows are maintained for operations.
3. Ensure that adequate reserves are maintained for contingency and emergency expenditures.
4. Ensure that adequate reserves are maintained for the continuation of the services provided by St. Clair County.

Authority: St. Clair County Board of Commissioners

Application: This policy applies to the governance of the various Funds employed by the County to account for its various types of assets, liabilities, revenues and expenditures.

Responsibility: The Administrator/Controller shall be responsible for the implementation and administration of this policy.

Definitions: The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government not accounted for in another fund.

The Special Revenue Funds account for proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service and capital projects.

The Capital Projects Funds account for the financial resources that are restricted, committed, or assigned to expenditures for capital outlay including the acquisition or construction of capital facilities and other capital assets.

The Debt Service Funds account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The Enterprise Funds account for operations that are financed and operated in a manner similar to private business.

Nonspendable fund balance consists of funds 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 consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed fund balance consists of funds that are set aside for a specific purpose by a government itself, using its highest level of decision-making authority.

Assigned fund balance consists of funds a government intends to use for a specific purpose. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balance consists of amounts that are available for any purpose/ these amounts are reported only in the general fund.

The Budget Stabilization Fund is a fund that receives, by a 2/3 vote of the Board, excess funds to be held for future General Fund budget shortfalls. Expenditures of the fund must be approved by a 2/3 vote of the Board of Commissioner's, and cannot be utilized for general capital improvements. Public Act 30 of 1978, as amended, governs this type of fund.

The Technology Improvement Fund receives excess funds to be held for future technology projects that generally improve the ability of the County to provide services to the citizens of St. Clair County. The use of this fund will be governed by the tenets of the Capital Improvement Program. Public Act 136 of 1956, as amended, governs this type of fund.

The Public Improvement Fund receives funds to be held for future buildings and grounds projects that generally improve the usefulness and/or life of County infrastructure. The use of this fund will be guided by the tenets of the Capital Improvement Program, where applicable. Public Act 136 of 1956, as amended, governs this type of fund.

Policy: Minimum Levels of Fund Balance

The County will strive to maintain a total General Fund Balance with a minimum amount of 15% and a maximum of 20% of the most currently approved General Fund budget.

Special Revenue Funds shall be evaluated annually to determine if revenues or fund balances have been restricted by State statute, ordinance, resolution or contract. Any funds that have been restricted will be retained in the appropriate Special Revenue Fund. All assigned or committed funds in excess of 10% (ten percent) of the most currently approved Fund budget, except those in the Budget Stabilization, Technology Improvement and Public Improvement Funds, may revert to the General Fund at year-end as determined by the Administrator/Controller.

Capital Project Fund reserves shall be restricted for the specific purpose or project that was established. Any residual reserves in these funds, after completion of the project, shall be transferred to the associated Debt Service Fund, if applicable. Any residual reserve not required to be transferred to a Debt Service Fund, or original funding source, shall be transferred to the General Fund.

Debt Service Fund reserves shall be restricted for the debt payments of the specific debt issuance that was established. In the event there is a residual amount within the Fund when the debt is paid in full the residual amounts shall be transferred to the General Fund, or disposed of according to applicable law.

Enterprise Fund balances should remain in each individual Fund. In the event an Enterprise Fund is dissolved its reserves shall be transferred to the General Fund, or as prescribed by law.

Order and Use of Restricted and Unrestricted Funds

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned, and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

Authority to Commit Funds

Any funds set aside as committed fund balance requires the passage of a resolution or ordinance by a simple majority vote of the Board of Commissioners. The passage of a resolution or ordinance must occur before year end of the applicable fiscal year. If the actual amount of the commitment is not available by year end, the resolution or ordinance must state the process or formula necessary to calculate the actual amount as soon as the information is available. In the event the Board of Commissioners would like to lift the committed status of the funds a, a formal action equal to that which originally committed the funds must be taken.

Authority to Assign Funds

The Board of Commissioners or the Administrator/Controller has the ability to set aside funds for specific purposes.

Administrative

Procedures: Upon completion of the prior years independent audit and as soon as practical the Administrator/ Controller will propose to the Board of Commissioner's a transfer from each effected Fund to the General Fund and then to the Budget Stabilization Fund, and/or the Technology Improvement Fund, and/or the Public Improvement Fund, that adheres to the above guidelines, and the applicable public acts.

Periodic

Review: The Administrator/Controller shall review this policy and make recommendations for changes as needed.

Adopted: February 27, 2002

Revised: June 18, 2015