

Category: 200

Number: 221

Subject: **FUND BALANCE POLICY**

1. **PURPOSE:** The purpose of this financial policy is to establish levels of reserves within the various funds and fund types operated and maintained by the County of Saginaw. The levels of Fund Balance prescribed within this policy are designed to ensure adequate cash flow for operations, adequate reserves for contingency and emergency natures, and adequate funds for the perpetual continuation of the services provided by the County.
2. **AUTHORITY:** The authority to establish Fund Balance levels within the various funds and fund types lies with the Saginaw County Board of Commissioners.
3. **APPLICATION:** This policy applies to all operating funds of the County including the General Fund, all Special Revenue Funds, all Debt Service Funds, all Capital Project Funds (including the Public Improvement Fund), all Enterprise Funds, all Internal Service Funds and all Fiduciary Funds.
4. **RESPONSIBILITY:** The Board of Commissioners shall be responsible for the adoption and amendment of this policy. The Administrator shall be responsible for the implementation of this policy.
5. **DEFINITIONS:**
  - 5.1 **General Fund:** Used to account for and report all financial resources except those required to be accounted for and reported in another fund.
  - 5.2 **Special Revenue Funds:** Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.
  - 5.3 **Capital Project Funds:** Used to account for financial resources and expenditures related to the acquisition/construction, or improvements of major capital assets/facilities that are not accounted for by proprietary funds and trust funds.
  - 5.4 **Debt Service Funds:** Used to account for the accumulation of resources and the payment of principal and interest on general long-term debt.
  - 5.5 **Enterprise Funds:** Used to account for goods or services provided to external users on a fee or user charge basis and operating in a manner similar to private business enterprises. The intent of the Board of Commissioners is that the cost (expenses, capital costs, including depreciation or debt service) of providing goods or services to external users on a continuing basis be financed or recovered primarily through fees and charges.

- 5.6 Internal Service Funds: Used to account for goods or services provided by one department or agency to another department or agency of the County of Saginaw, or to other governmental units, on a cost-reimbursement basis.
- 5.7 Fiduciary Funds: Used to account for assets held by the County of Saginaw in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include private-purpose trust funds, pension (and other employee benefit) trust funds, investment trust funds and custodial funds.
- 5.8 Fund Balance: Refers to the net position of governmental funds calculated in accordance with generally accepted accounting principles (GAAP), which represents the total accumulation of operating surpluses and deficits since the beginning of the fund's existence. Fund balance is intended to serve as a measure of the financial resources available in a governmental fund and can be separated into five (5) separate categories based on the type and source of constraints on how resources can be spent:
- nonspendable fund balance,
  - restricted fund balance,
  - committed fund balance,
  - assigned fund balance, and
  - unassigned fund balance.
- 5.8.1 Nonspendable Fund Balance: That portion of fund balance that is not spendable form or is legally or contractually required to be maintained intact. This includes the portion that results from assets that are not spendable – prepaids, inventory, long-term advances to other funds, or other receivables whose collection is not likely in the next fiscal year.
- 5.8.2 Restricted Fund Balance: That portion of fund balance which is legally restricted as to the purposes for which it may be used. This restriction may be stipulated by constitution, external resource providers or through enabling legislation.
- 5.8.3 Committed Fund Balance: That portion of fund balance which can be used only for specific purposes as determined by a formal action of the Board of Commissioners. These amounts remain committed until the Board of Commissioners removes or changes the specified use by taking the same type of action employed to previously commit those amounts.
- 5.8.4 Assigned Fund Balance: That portion of fund balance which is constrained by the intent of the County to be used for specific purposes, but does not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

[Example]Assigned for Fixed Operational Reserve: Funds assigned by the BOC and designated as amounts required to meet continuing financial needs in order to maintain a positive cash position in a fund. This is essential when revenue streams are inconsistent with expenditure streams (payroll and benefits) due to tax collection dates beginning much later than fiscal years begin or when revenues are on a reimbursement basis.

5.8.5 Unassigned Fund Balance: That portion of fund balance which is the residual classification for the County's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

5.9 Budget Stabilization: Assigned portions of assets, which represent financial resources, dedicated to maintaining the long-term financial viability of a specific fund. These funds will be available for emergency and unforeseen measures such as the loss of a revenue stream or the increase in an expense area, or a combination of revenue losses and expenditure increases.

## 6. POLICY:

### 6.1 GENERAL FUND

6.1.1 Fixed Operational Reserve: The General Fund shall establish an Assigned Fund Balance for 'Fixed Operational Reserve' with a minimum amount of 50% (fifty percent) of the most current Board Approved General Fund Budget for tax collections. This level of assignment is required in the General Fund as tax revenues are not receipted until the 11th and 12th month of the fiscal year. The County fiscal year starts on October 1; tax revenues are levied on the following July 1 and due September 15. The County by law can only borrow tax anticipation notes up to a level of 50% of tax collections, thus the minimum assignment reserve for the 'Fixed Operational Reserve' is required to be the other 50% of tax collections.

6.1.2 Budget Stabilization Reserve: In addition to the Employee Payroll Reserve, a Budget Stabilization Reserve will be created with a minimum balance of 5% (five percent) of the most current Board Approved General Fund Budget. The County's audit firm recommends as a minimum 10% of operating expenditures as a means to address unforeseen and unanticipated events.

## 6.2 SPECIAL REVENUE FUNDS

- 6.2.1 Each Special Revenue Fund is to be evaluated annually to ascertain if the revenue or fund balances have been restricted by State statute, ordinance, resolution, or contract. If the fund balance has been restricted, the specific fund will retain that restricted or earmarked amount. However, if unrestricted, the entire remaining balance will revert to the General Fund at year-end.
- 6.2.2 In the event that a Special Revenue Fund has an insufficient fund balance to cover its minimum reserves in accordance with this policy, that fund's operations are mandated to initiate the appropriate budget reductions during the ensuing year in an amount that will achieve the minimum reserves during the ensuing year.

## 6.3 DEDICATED MILLAGE FUNDS

- 6.3.1 Mosquito Abatement Commission Fund: The Mosquito Abatement Commission Fund will carry an Assigned Fund Balance for Fixed Operational Reserve of 12.5% (twelve and one-half percent) of the most recently approved budgeted tax collections. This Fixed Operational Reserve accounts for both the fiscal year beginning October 1, with tax collections arriving the following January and, due to the cyclical nature of the Fund, not expending the majority of its tax collections until the spring and summer months. The Mosquito Control Fund will also carry a Budget Stabilization Reserve at a minimum of 5% (five percent) of the most current Board Approved Budget. Mosquito may also maintain a Capital Outlay/Equipment Reserve Fund of up to 20% of its operating budget.
- 6.3.2 Parks & Recreation Fund: The Parks & Recreation Fund will carry an Assigned Fund Balance for Fixed Operational Reserve of 12.5% (twelve and one-half percent) of the most recently approved budget tax collections. This Fixed Operational Reserve accounts for both the fiscal year beginning on October 1, with tax collections arriving the following January and, due to the cyclical nature of the Fund, not expending the majority of its tax collections until the spring and summer months. The Parks & Recreation Fund will also carry a Budget Stabilization Reserve at a minimum of 5% (five percent) of the most current Board Approved Budget. The Parks & Recreation Fund may also carry a Capital Outlay/Equipment Replacement Reserve of up to 20% (twenty percent) of the most recently approved budget.
- 6.3.3 Law Enforcement Fund: The Law Enforcement Fund will carry an Assigned Fund Balance for Fixed Operational Reserve of 25% (twenty-five percent) of the most recently approved budgeted tax collections. This Fixed Operational Reserve accounts for the fiscal year beginning on October 1 with tax collections arriving the following January. The Law Enforcement

Fund will carry a Budget Stabilization Reserve at a minimum of 5% (five percent) of the most recently approved budget.

- 6.3.4 Commission on Aging Fund: The Commission on Aging Fund will establish an Assigned Fund Balance for Fixed Operational Reserve of 25% (twenty five percent) of the most recently approved budgeted tax collections. This Fixed Operational Reserve accounts for the fiscal year beginning on October 1 with tax collections arriving the following January. The Commission on Aging Fund will carry a Budget Stabilization Reserve at a minimum of 5% (five percent) of the most recently approved budget. The COA Fund may also carry a Capital Outlay/Equipment Replacement Reserve of up to 20% (twenty percent) of the most recently approved budget.
- 6.3.5 Animal Care & Control Fund: The Animal Care & Control Fund will carry an Assigned Fund Balance for Fixed Operational Reserve of 25% (twenty-five percent) of the most recently approved budgeted tax collections. This Fixed Operational Reserve accounts for the fiscal year beginning on October 1 with tax collections arriving the following January. The Animal Care & Control Fund will carry a Budget Stabilization Reserve at a minimum of 5% (five percent) of the most recently approved budget.
- 6.3.6 Health Department Fund: The Health Department Fund will carry an Assigned Fund Balance for Fixed Operational Reserve of 25% (twenty-five percent) of the most recently approved budgeted tax collections. This Fixed Operational Reserve accounts for the fiscal year beginning on October 1 with tax collections arriving the following January. The Health Department Fund will carry a Budget Stabilization Reserve at a minimum of 5% (five percent) of the most recently approved budget.
- 6.4 DEBT SERVICE FUNDS: Debt Service Funds shall maintain all cash and investments in the specific fund until the bonds and interest are paid in full. Should there be a residual amount within the fund when the bonds are paid in full, such amount will be transferred to the Public Improvement Fund or to the fund or funding entity from which the primary source of financing those bonds originated from.
- 6.5 CAPITAL PROJECT FUNDS: Capital Project Funds entire reserves shall be restricted for the specific purpose or project they were established for, usually by contract, resolution or both. Any residual reserves in these funds after completion of the project will first be transferred to the associated Debt Service Fund if one has been established, or secondly, transferred to the original funding source as provided by contract, agreement or resolution. Any residual reserve not required to be transferred to a Debt Service Fund or to the original funding source shall be transferred to the Public Improvement Fund.

6.6 ENTERPRISE FUNDS: All Enterprise Fund Balances should remain in each individual Enterprise Fund. In the event any Enterprise Fund is dissolved then any remaining amount of reserves shall be transferred to the General Fund unless not legally permitted. In the event that the transfer to the General Fund is not legally permitted, then those remaining reserves shall be transferred as legally required or as stipulated by general legal counsel.

6.6.1 County Event Center: The County Event Center will carry a minimum fund balance of 25% (twenty five percent) of the most recently approved budgeted tax collections.

6.7 INTERNAL SERVICE FUNDS: Each Internal Service Fund should be reviewed annually to determine the available amount which can be returned to the General Fund. If it is determined that the residual reserves are excessive, future charges for services should be adjusted accordingly.

6.7.1 Delinquent Tax Revolving Fund: Due to the significant size and restricted mechanics of this fund, the Board of Commissioners has adopted a separate policy for the operations and reserve balances of this fund (Delinquent Tax Revolving Fund, Policy #222).

6.7.2 Employee Benefits Fund and Risk Management Fund: These funds accumulate cost from all of the County's Funds and Activities in order to provide centralized efficient benefits and coverages to the County. The minimum reserves maintained within these funds shall be as follows:

Reserve for value of known claims

(Workers Compensation & Risk Management Only)

Reserve for incurred but not reported claims

(All Funds)

Reserve for rate stabilization at two times plan retention levels

(Workers Compensation, Health & Risk Management Only)

6.8 FIDUCIARY FUNDS: All funds held within Fiduciary Funds are held in a fiduciary capacity only and belong to some other person or entity. Any amount available in these funds, not returned to the person or entity, shall escheat to the State of Michigan in accordance with State law. Exceptions to this fund balance policy can be granted by the Board of Commissioners with proper justification.

7. ADMINISTRATIVE PROCEDURES: The Administrator shall be responsible for developing, updating and implementing the maintenance of reserves within the funds identified within this policy.

8. ADMINISTRATOR LEGAL COUNSEL REVIEW: The Administrator has determined that this policy as submitted to the Board of Commissioners contains the necessary substance in order to carry out the purpose of the policy. County Civil Counsel has determined that this policy as submitted contains content that appears to be legal activities of the Saginaw County Board of Commissioners.

Approved as to Substance:  
Saginaw County Administrator

Approved as to Legal Content:  
Saginaw County Civil Counsel

ADOPTED: November 23, 1999

AMENDED: May 22, 2007; February 16, 2010; May 19, 2015; May 19, 2026