

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, all Enterprise Funds, all Internal Service Funds and all Trust and Agency Funds.
4. **RESPONSIBILITY:** The Board of Commissioners shall be responsible for the adoption and amendment of this policy. The Controller/CAO shall be responsible for the implementation of this policy.
5. **DEFINITIONS:**
 - 5.1 **General Fund:** Used to account for all financial resources except those required to be accounted for in another fund.
 - 5.2 **Special Revenue Funds:** Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
 - 5.3 **Capital Project Funds:** Used to account for financial resources to be used for the acquisition of major equipment and/or the maintenance or construction of facilities.
 - 5.4 **Debt Service Funds:** Used to account for the accumulation of resources required to meet the payment of general long-term debt principal and interest.
 - 5.5 **Enterprise Funds:** Used to account for services provided to the general public on a 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, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through fees.
 - 5.6 **Internal Service Funds:** Used to account for the financing of 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 Trust and Agency 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, pension and agency funds.
- 5.8 Employee Payroll Reserve: Funds 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. To avoid the necessity of borrowing funds and paying interest costs to make payroll, this reserve is necessary.
- 5.9 Fund Balance/Reserves: Designated portions of assets, which represent financial resources available to finance expenditures other than those tentatively planned.
- 5.10 Restricted Fund Balance/Reserve: That portion of a fund balance/reserve which is restricted by law, agreement or encumbrance and must be maintained for its restricted purpose.
- 5.11 Budget Stabilization: Designated 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 Employee Payroll Reserve: The General Fund shall establish an Employee Payroll Reserve with a minimum amount of 50% (fifty percent) of the most current Board Approved General Fund Budget for tax collections. This level of Employee Payroll Reserve 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 Employee Payroll 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 Control Fund: The Mosquito Control Fund will carry an Employee Payroll Reserve of 12.5% (twelve and one-half percent) of the most recently approved budgeted tax collections. This Employee Payroll 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.
- 6.3.2 Parks Fund: The Parks Fund will carry an Employee Payroll Reserve of 12.5% (twelve and one-half percent) of the most recently approved budget tax collections. This Employee Payroll 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 Fund will also carry a Budget Stabilization Reserve at a minimum of 5% (five percent) of the most current Board Approved Budget. The Parks Fund will also carry a Capital Outlay/Equipment Replacement Reserve of 20% (twenty percent) of the most recently approved budget.
- 6.3.3 Road Patrol Millage Fund: The Road Patrol Millage Fund will carry an Employee Payroll Reserve of 25% (twenty five percent) of the most recently approved budgeted tax collections. This Employee Payroll Reserve accounts for the fiscal year beginning on October 1 with tax collections arriving the following January. The Road Patrol Millage Fund will carry a Budget Stabilization Reserve at a minimum of 5% (five percent) of the most recently approved budget.

- 6.3.4 Law Enforcement Millage Fund: The Law Enforcement Millage Fund will carry an Employee Payroll Reserve of 25% (twenty five percent) of the most recently approved budgeted tax collections. This Employee Payroll Reserve accounts for the fiscal year beginning on October 1 with tax collections arriving the following January. The Law Enforcement Millage Fund will carry a Budget Stabilization Reserve at a minimum of 5% (five percent) of the most recently approved budget.
- 6.3.5 Commission on Aging Fund: The Commission on Aging Fund will establish an Employee Payroll Reserve of 25% (twenty five percent) of the most recently approved budgeted tax collections. This Employee Payroll Reserve accounts for the fiscal year beginning on October 1 with tax collections arriving the following January. The Commission on Aging will carry a Budget Stabilization Reserve at a minimum of 5% (five percent) of the most recently approved budget.
- 6.3.6 Animal Control Millage Fund: The Animal Control Millage Fund will carry an Employee Payroll Reserve of 25% (twenty five percent) of the most recently approved budgeted tax collections. This Employee Payroll Reserve accounts for the fiscal year beginning on October 1 with tax collections arriving the following January. The Animal Control Millage Fund will carry a Budget Stabilization Reserve at a minimum of 5% (five percent) of the most recently approved budget.
- 6.4 DEBT SERVICE FUND: 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 General 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 an Employee Payroll Reserve of 25% (twenty five percent) of annual operating expenses 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 Benefit 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 coverage's 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 TRUST & AGENCY FUNDS: All funds held within Trust and Agency 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 be escheated 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 Controller/CAO shall be responsible for developing, updating and implementing the maintenance of reserves within the funds identified within this policy.
- 8. CONTROLLER/CAO LEGAL COUNSEL REVIEW: The Controller/CAO 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 Controller/CAO

Approved as to Legal Content:
Saginaw County Civil Counsel

ADOPTED: November 23, 1999
AMENDED: May 22, 2007; February 16, 2010; May 19, 2015