

**CALHOUN COUNTY
BOARD OF COMMISSIONERS
POLICY STATEMENT**

SUBJECT: FUND BALANCE	DATE APPROVED: 3/6/03	EFFECTIVE: 3/16/03	POLICY NO. 280
		REPLACES: 280 ADOPTED 8/17/00	

PURPOSE: To establish appropriate levels of reserves within the various funds and fund types of Calhoun County. The levels described in this policy are designed to ensure that adequate cash flows are maintained for operations, that adequate reserves are maintained for contingency and emergency expenditures, and that adequate fund levels are maintained for the continuation of the services provided by the County.

AUTHORITY: The Calhoun County Board of Commissioners.

RESPONSIBILITY: The Office of the Administrator shall be responsible for the implementation and administration of this policy.

DEFINITIONS: GOVERNMENTAL FUNDS include the following fund types: general fund, special revenue funds, capital project funds, and debt service funds.

- The General Fund is the County’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund does not capitalize fixed asset purchases; these are expenditures for the current year.
- The Special Revenue Funds account for revenues that are legally restricted to expenditures for specific purposes. This includes all grants, Health Department activities, and millage service activities. Special Revenue Funds do not capitalize fixed asset purchases. Like the general fund, these are expenditures for the current year. If the County establishes a Budget Stabilization Fund, it would be accounted for as a Special Revenue Fund. A Budget Stabilization Fund is the excess unreserved general fund balance to be utilized in subsequent years. Possible uses of these funds are unforeseen operating expenditures and during time of economic downturns.
- Capital Project Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.
- The Debt Service Funds account for the servicing of the County’s general long-term debt that is not being financed by proprietary or non-expendable trust funds. Debt service revenue is derived from millage dollars collected through property taxes. This fund accounts for debt principal and interest.

PROPRIETARY FUNDS are accounted for using the accrual basis of accounting. Fixed asset purchases are capitalized and depreciated using the straight-line method. Proprietary Funds include the following fund types: enterprise funds and internal service funds.

- The Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business. The intent is to provide goods or services to the general public, on a continuing basis, and to be financed or recovered primarily through fees.
- Internal Service Funds are used to account for all operations that provide services to other departments or agencies of Calhoun County, on a cost-reimbursement basis. These include, but are not limited to, buildings and grounds, administrative services, insurance, employee benefits, workers' compensation, and self-insured disability.

AGENCY FUNDS are custodial in nature and do not effect operating revenues or expenditures. These funds are used to account for the assets that Calhoun County holds for others. These include, but are not limited to: current tax collections, penal fines, inmate trust funds, Friend of the Court, District Court, and employee withholdings.

Cash flow: Having the funds available to meet the continuing financial needs of a fund in order to maintain a positive cash position.

Fund Balance/Reserves: Designated portions of assets, which represent financial resources available to finance expenditures other than those tentatively planned.

Restricted Fund Balance/Reserves: The portion of fund balance/reserve that is restricted by law or agreement and must be maintained for its restricted purpose.

POLICY: The County shall strive to maintain an unreserved General Fund balance between 8% and 12% of the annual General Fund operating expenditures of the previous fiscal year.

The General Fund will not advance funds (except to the Delinquent Tax Revolving Fund) to other funds without Board of Commissioner approval.

Special Revenue Funds are 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. Unrestricted funds shall revert to the General Fund at year-end.

The Debt Service Funds shall maintain all cash and investments in a specific fund until the bonds and interest are paid in full. In the event there is a residual amount within the fund when the bonds are paid in full, the residual shall be transferred to the General Fund.

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

All Enterprise Fund balances should remain in each individual fund. In the event that an 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 a transfer cannot legally be made to the General Fund, then those remaining reserves shall be transferred as legally required or as stipulated by general legal counsel.

All monies held within the Trust and Agency Funds are held in a fiduciary capacity. Any amount, not returned to the person or entity, shall escheat to the State of Michigan in accordance with State law.