



# *Antrim County*

## **Fund Balance Policy**

### **Purpose & Background:**

To establish an appropriate level of fund balance in the General Fund, define the components of fund balance, and direct Commissioners and staff in the methods to be used for increasing or decreasing fund balance when trends indicate fund balance will fall outside the minimum/maximum levels.

Antrim County requires seven (7) months of Disbursements from January 1 to July 31 to ensure continued operations. Additionally, the Government Finance Officers Association (GFOA) recommends two (2) months of operating expenditures be held in reserve as best practice. Therefore, Antrim County will endeavor to maintain, nine (9) months of Disbursements at the start of each fiscal year in order to ensure consistent operation.

### **Definitions:**

**Fund Balance** – The difference between the assets and liabilities reported in a governmental fund.

**General Fund** – Fund 101.000 used to account for and report all financial resources not accounted for and reported in another fund.

**Capital Infrastructure Fund** – A separate fund designated specifically for future County building and infrastructure needs.

**Disbursements** – Budgeted General Fund operating expenditures and transfers out for the current year.

### **Policy:**

The General Fund Balance will be reviewed annually by the Finance Director during or immediately following the County's financial audit. The Finance Director will apply this policy based on the audited January 1 General Fund Balance.

#### **Minimum/Maximum Unrestricted Fund Balance**

The County will maintain a General Fund Balance of not less than nine (9) months of Disbursements and not more than ten (10) months of Disbursements at December 31 of each year. The General Fund Balance will be reviewed each year post-audit and reported to the Board of Commissioners as part of or prior to the audit presentation.

#### **Debt Services Reserve and Capital Infrastructure Fund**

If the minimum Fund Balance conditions are met, an additional annual \$500,000 will be placed in the Debt Services Reserve fund to be used for debt repayment. If no debt repayment exists, the funds will be placed in the County's Capital Infrastructure Fund.

If this action would cause the General Fund Balance to drop below the minimum nine (9) months of Disbursements, the difference between \$500,000 and the minimum Fund Balance will be placed in the Debt Services Reserve or Capital Infrastructure Fund.

#### Maintaining Fund Balance Range

If the audited General Fund Balance **approaches or falls below** the minimum nine (9) months of Disbursements, the Finance Director will prepare a plan for the Board of Commissioners' approval. The plan, if approved, will replenish reserves to minimum levels utilizing the following measures, in order of priority:

- 1) Cut or delay capital improvement projects from the Capital Improvement Plan (CIP).
- 2) Where possible, increase rates and charges to fund specific services to ensure self-sufficiency.
- 3) If the General Fund Balance drops below a seven (7) months of Disbursements, cut general operating expenses.
- 4) If the General Fund Balance drops below a six (6) months of Disbursements, cut services and/or increase operating millage.

After a plan of replenishment is approved, the Finance Director will review and report the General Fund Balance monthly to the Board of Commissioners until the minimum General Fund Balance is reached.

If the audited General Fund Balance **exceeds** the ten (10) months of Disbursements, the use of such excess funds should be for capital projects and other one-time uses. In this event, the Finance Director will prepare action for the Board of Commissioners' approval utilizing the following measures to reduce Fund Balance, in priority order:

- 1) Fully fund any debt service reserve.
- 2) Fully fund the employee retirement accounts, if not already at full funding.
- 3) Increase the Capital Infrastructure Fund contribution.
- 4) Pre-fund or accelerate capital improvements in the CIP by transferring funds to the Capital Improvement budgets or Capital Outlay Reserve.
- 5) Reduce the operating millage.