

MCLEOD COUNTY FUND BALANCE POLICY

PURPOSE

The purpose of establishing a fund balance policy is to ensure the long-term economic stability of McLeod County, by maintaining an adequate level of financial resources to fund operations, and allow for unanticipated expenditures and/or revenue shortfalls.

SCOPE

This policy will apply to all major funds managed by the McLeod County Board of Commissioners.

POLICY

It shall be the policy of McLeod County to maintain a satisfactory level of unreserved fund balance in the major funds. At year end McLeod County will retain 35 to 50 percent of fund operating revenues or no less than five months of operating expenditures.

If the Major Funds balances should fall outside of the above parameters, budgeted revenues will be either greater or less than budgeted expenditures in the next two subsequent years to bring the fund balance into compliance with this policy.

The Comprehensive Annual Financial Report shall show reserves and designations subject to the requirements of Generally Accepted Accounting Principals.

Reserves, designations and undesignated fund balance levels shall be considered when developing the McLeod County Budget.

DEFINITIONS:

Fund Balance

Fund balance is the difference between assets and liabilities. Fund balance is accumulated when revenues exceed expenditures and decreased when revenues are less than expenditures.

Major Fund

A fund is classified as major if total assets, liabilities, revenues, or expenditures of the fund are at least 10 percent of the corresponding total of assets, liabilities, revenues, or expenditures for all governmental funds.

Reserved Fund Balance

The portion of fund balance that is not available for the following period's budget. Reserved fund balances are set aside because of legal or external requirements.

Unreserved/Designated Fund Balance

The portion of fund balance that is set aside for planned actions but is not actually restricted. Designations can be altered at the discretion of the McLeod County Board of Commissioners.

Unreserved/Undesignated Fund Balance

The portion of fund balance that is available for appropriation. The portion of fund balance that is not reserved or designated.