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# CHISAGO COUNTY FUND BALANCE POLICY

## I. PURPOSE

The purpose of this policy is to set forth objectives and parameters for unrestricted fund balances for major funds in Chisago County. This fund balance policy is designed to:

1. Serve as a guide for maintaining stable financial reserves.
2. Ensure long term economic stability of Chisago County.
3. Maintain sufficient reserves to meet cash flow needs until property tax payments are received.
4. Comply with recommendations of the Office of State Auditor.
5. Comply with the rules and reporting standards of GASB 54: Fund Balance Reporting and Governmental Fund Type definitions.
6. Assist in maintaining favorable bond ratings.
7. Help to ensure stable tax rates.
8. Allow for funding of cash flow needs for minor funds.
9. Allow for unanticipated expenditures or revenue shortfalls.

## II. SCOPE

This policy shall apply to the General Revenue Fund, Health and Human Services Fund, the Road and Bridge Fund, and other Special revenue funds as needed.

## III. POLICY

- A. It shall be the policy of Chisago County to maintain an unrestricted fund balance (as defined by GASB 54) of 35% to 50% of fund operating revenues or no less than five month of operating expenditures in each of the three (3) major funds.

- B. If at year end, balances in any of the three (3) major funds should fall outside of the above parameters, budgeted revenue and expense adjustments will be made over the next two subsequent years to bring the fund balance into compliance. Any budgeted increase or decrease in fund balance shall be disclosed annually.
- C. If it is considered practical to reduce excess fund balance by additional expense, those expenses will be one-time expenses that will have minimal or no impact on ongoing operating expenses.
- D. Each major fund will stand alone with respect to fund balance compliance.
- E. Fund balance will be considered in developing the Chisago County annual budget and levy.
- F. This policy will be reviewed on a periodic basis.
- G. Committing Fund balance shall be the sole responsibility of the Full Board of Commissioners requiring formal Board resolution to approve a specific commitment. This process self imposes a constraint on the use of fund balance that can only be removed by formal board action. These commitments need to be in place prior to year end. An example would be setting aside fund balance for a specific capital project.
- H. Assigning fund balance, the authority as delegated by the Board, shall be the responsibility of the County Auditor. This less formal process imposes a general limitation of fund balance for an intended use. An example would be assigning fund balance for prior year budgeted expenses carried over, or other previously Board approved expenditures which remain unspent at years end.

#### **IV. RESPONSIBILITY AND AUTHORITY**

Administrative implementation of this policy is the responsibility of staff in conjunction with the Budget and Finance Committee and approval by the Chisago County Board of Commissioners.