

# **TUSCOLA COUNTY BOARD OF COMMISSIONERS**

## **FUND BALANCE POLICY – UPDATED 4-25-2024**

### **Policy Overview:**

This Fund Balance Policy for Tuscola County, Michigan, is crafted in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 54, 'Fund Balance Reporting and Governmental Fund Type Definitions.' The policy is aimed at preserving a stable financial environment, ensuring adequate liquidity for day-to-day operations, securing favorable bond ratings, managing unexpected emergencies or downturns effectively, and meeting statutory and fiscal obligations.

### **Definitions:**

- **\*\*Fund Balance\*\***: The net difference between governmental fund assets and liabilities as reflected on the balance sheet.
- **\*\*Nonspendable Fund Balance\*\***: Amounts that are not in spendable form or are legally or contractually required to remain intact (e.g., principal of a permanent fund, inventories, and prepaid items).
- **\*\*Restricted Fund Balance\*\***: Amounts constrained to specific purposes by external parties, constitutional provisions, or enabling legislation.
- **\*\*Committed Fund Balance\*\***: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., a resolution) of the Board of Commissioners.
- **\*\*Assigned Fund Balance\*\***: Amounts intended for specific purposes that are neither restricted nor committed. This designation reflects intended uses established by the County Controller-Administrator or by the Board of Commissioners.
- **\*\*Unassigned Fund Balance\*\***: The residual classification for the general fund that includes all spendable amounts not contained in the other classifications.

### **Policy Components:**

#### **Minimum Fund Balance Requirement**

The County's General Fund shall maintain a minimum unassigned fund balance of 17% of general fund expenditures and transfers-out. County Special Revenue Funds shall maintain an overall minimum fund balance of 17% of expenditures and transfers-out. Enterprise Funds of Tuscola County shall be covered in a separate policy apart from this Fund Balance Policy. These targets ensure sufficient liquidity for continuous operations, emergency situations, economic downturns, and maintaining stable tax rates.

**Authority to Commit Fund Balance**

Commitments of fund balance shall be made through resolutions by the Tuscola County Board of Commissioners, detailing the specific purposes for such commitments. Committed funds must remain dedicated to the specified purposes unless otherwise stated or amended by equal authority.

**Authority to Assign Fund Balance**

Assignment of fund balance for specific purposes is delegated to the County Controller-Administrator, who shall report such assignments quarterly to the Board of Commissioners. This process allows for flexible management of fund balances under guidelines approved by the Board.

**Replenishment of Fund Balances**

If the unassigned fund balance falls below the stipulated minimum, the County Controller-Administrator must propose a plan to replenish it to the required level within two calendar years. This plan may involve cost-cutting, revenue enhancement, or other appropriate fiscal strategies.

**Reporting and Review**

The fund balance status for each classification shall be included in the annual financial report and reviewed during the annual budget process. This review helps ensure that fund balances are adequate and policy adjustments are made as necessary.

**Policy Modifications**

Any changes to this policy require the approval of the Tuscola County Board of Commissioners. Changes should be considered within the broader scope of the County's financial planning and strategic goals.