

FUND BALANCE POLICY			
EFFECTIVE	10/17/14 RES 14-15/086	REVIEW	Finance & Budget Committee
REVISED		APPROVAL	County Board

Eau Claire County Fund Balance Policy

Eau Claire County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* and the objectives of this policy are as follows:

- Provide working capital for the County to meet cash flow needs during the year (while avoiding the need to borrow short-term for cash flows).
- Preserve the credit worthiness (credit rating) of the county for borrowing funds at favorable interest rates.
- Provide a comfortable margin of safety to address unanticipated expenditures / emergencies and unexpected declines in revenue due to economic downturns, natural disasters, etc.
- Provide a resource to stabilize fluctuations from year to year in the property taxes paid by the County taxpayers.

A. GASB No. 54 Definitions

There are five (5) levels of restrictions on fund balance as outlined below.

1. **Non-spendable** – inherently non-spendable in nature (e.g. long-term receivables, inventories, principle on an endowment)
2. **Restricted** – externally enforced limitations on the use of fund balance, imposed by parties such as creditors, grantors or law.
3. **Committed** – internally enforced limitations on the use of fund balance at the highest level of decision making, the county Board in our case and typically resolution. Working capital is our best example.
4. **Assigned** – internally earmarked for an intended use, again by the governing body or official designated for that purpose, but not at the level of formal resolution.

5. **Unassigned** – any spendable fund balance that doesn't fit into the above four categories. Previously called unreserved-undesignated, the classic “rainy day” fund.

B. Procedures

In order to achieve the objectives of this policy, the following guidelines shall be adhered to by the County Board:

1. The County Administrator and Finance Director shall, quarterly and as part of the annual budget process, estimate the surplus or deficit for the current year and prepare a projection of the year-end fund balance. Such projection shall include an analysis of trends in fund balance levels on a historical and future projection basis. Based on this analysis, the County Administrator may recommend an allocation of unassigned fund balance to help balance the following year's budget, following the provisions below.
2. Withdrawal of any amount of the fund balance in excess of the targeted maximum of the amount budgeted under (1) above for this sole purpose of reducing the ensuing year's property tax levy, may be made only upon a two-thirds vote of County Board, typically as part of the final budget approval.
3. Per Section 65.90 of Wisconsin Statutes, the County Board, by a two-thirds vote, can declare a fiscal emergency and withdraw any amount of General Fund balances for purposes of addressing the fiscal emergency. Any such action shall also provide for necessary appropriations to restore the General Fund balance to the minimum balance with a set plan approved by Board.
4. The General Fund unassigned fund balance shall be maintained as of December 31 of each year equal to a minimum of 20% of the ensuing year's budgeted General Fund (Fund 100) expenditures with a targeted maximum of 30% of the ensuing year's budgeted General Fund (Fund 100) expenditures.
5. For funds other than the General Fund, any fund balances at year end, in excess of established fund balance formulas, ordinance, law or designated non-lapsing funds balances shall revert to the general fund. This also applies to individual departments within the General Fund.
6. Funds in excess of 30% of the unassigned fund balance target may be considered to supplement “pay as you go” capital projects not yet assigned, including reduction of anticipated debt issues, or to prepay existing debt, as allowable. The decision of how to use these funds shall be made by the County Board. Unassigned fund balance shall not be used to support recurring operating expenditures.