



# Board of County Commissioners Agenda Request

2K  
Agenda Item #

**Requested Meeting Date:** January 24, 2017

**Title of Item:** Fund Balance and Reserves / Capital Improvement

<input type="checkbox"/> REGULAR AGENDA	<b>Action Requested:</b>	<input type="checkbox"/> Direction Requested
<input checked="" type="checkbox"/> CONSENT AGENDA	<input checked="" type="checkbox"/> Approve/Deny Motion	<input type="checkbox"/> Discussion Item
<input type="checkbox"/> INFORMATION ONLY	<input type="checkbox"/> Adopt Resolution (attach draft)	<input type="checkbox"/> Hold Public Hearing* <i>*provide copy of hearing notice that was published</i>

<b>Submitted by:</b> Patrick Wussow	<b>Department:</b> Administration
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<b>Presenter (Name and Title):</b>	<b>Estimated Time Needed:</b>
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**Summary of Issue:**  
At the January 10th County Board meeting the Board reviewed Financial Policies and discussed reserving budgeted funds.

Attached are Pages 31 through 33 of our General Operations Policy. The yellow highlighted portion on Page 33 has been added, as recommended by the Board.

**Alternatives, Options, Effects on Others/Comments:**

**Recommended Action/Motion:**  
Adopt the General Operations Policy with the changes as indicated.

**Financial Impact:**

Is there a cost associated with this request?  Yes  No

What is the total cost, with tax and shipping? \$

Is this budgeted?  Yes  No *Please Explain:*

Subd. (4) From time to time, opportunities may arise to manage the County's expenses down by taking immediate action on an existing contract which exceeds the delegated authority of the County Administrator. In these rare circumstances, the County Administrator is authorized a reasonable amount of discretion to exceed the dollar limit, but not the duration limit, in this policy when it is documented that waiting until the next County Board meeting to approve a contract amendment or change order will likely cost the County a greater amount. In these circumstances, the Department Head requesting the purchase and the County Administrator should be in agreement, and the request shall be submitted to the County Board at the next regular County Board meeting.

Subd. (5) The County Highway Engineer has the authority to execute change orders and contract modifications deemed reasonable by the Engineer and within the scope of the project approved by the County Board. The Engineer must use discretion; taking in to account the scope of the project, the total cost of the project compared to the change order and the resources available.

**Section J. Fund Balance and Reserves**

Subd. (1) Fund Balance Policy

(a) The County aims to maintain a year end, unrestricted fund balance of at least 42% of the following year's budgeted expenditures on all governmental funds. For the purposes of this policy, the General Fund, HHS Fund and Highway Fund shall be combined; all other governmental funds shall be calculated separately.

Subd. (2) Designation of Fund Balance, GASB 54

(a) The County shall follow the MN State Auditor's Statement of Position on GASB 54 and such updates as may be made from time to time.

<b>Classification</b>	<b>Definition</b>	<b>Examples</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact	<ul style="list-style-type: none"> <li>• Inventories,</li> <li>• Prepaid items,</li> <li>• Long-term receivables</li> </ul>
Restricted	Fund balance should be reported as restricted when constraints placed on the use of resources are either:  a. Externally imposed by creditors (such as	<ul style="list-style-type: none"> <li>• Restricted by state statute,</li> <li>• Unspent bond proceeds,</li> <li>• Grants earned but not spent,</li> <li>• Debt covenants,</li> </ul>

	<p>through debt covenants), grantors, contributors, or laws or regulations of other governments; or</p> <p>b. Imposed by law through constitutional provisions or enabling legislation</p>	<ul style="list-style-type: none"> <li>• Taxes dedicated to a specific purpose, and</li> <li>• Revenues restricted by enabling legislation</li> </ul>
Unrestricted - Committed	Used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority	<ul style="list-style-type: none"> <li>• The governing board has decided to set aside \$1M for a road construction project.</li> <li>• Property tax levies set for a specific purpose by resolution</li> </ul>
Unrestricted - Assigned	Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed	<ul style="list-style-type: none"> <li>• Governing board has set aside \$2 million for a county project and the county administrator may amend this up to \$100,000.</li> <li>• Governing body delegates the authority to assign fund balance to the finance officer.</li> <li>• Governing board has appropriated fund balance often to balance next year's budget.</li> <li>• Positive residual balances in governmental funds other than the general fund.</li> </ul>
Unrestricted Unassigned	Unassigned fund balance is the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other governmental funds would report deficit fund balances as unassigned	

(b) The County Administrator is delegated the authority to assign unrestricted fund balance for planning purposes, this authority does not grant authority to expend funds not budgeted by the County Board.

### Subd. (3) Reserving Budgeted Funds

#### **PURPOSE:**

To set up procedures for reserving budgeted funds in the most fiscally responsible manner.

Note: In order to reserve funds during the current calendar year for equipment or projects that were not completed during that fiscal year, but will be completed during the following calendar year, those items must not be budgeted for in the following year and must not be moved from one line item to another. Additionally, the items must be for a specific use and not generalized.

#### **PROCEDURE:**

- The County Administrator will distribute a memorandum soliciting requests of reserves during the month of December.
- The Department Heads will submit an itemized list of items not completed during the current calendar year, with the budget and line item necessary to complete the project. All previously reserved monies must be included within the budget. The Department Head must certify that these requested items cannot be completed during the following fiscal year without these reserves and that the item has not been budgeted for in the following years budget.
- The County Administrator will review these requests and present the requests to the County Board prior to the end of each fiscal year.
- The County Board will act on these requests prior to the end of each fiscal year such to not hinder the fiscal health of Aitkin County and to uphold their fiscal responsibility to the taxpayers of Aitkin County.
- Any items not completed within the time period will be returned to the fund they were generated from at the end of the fiscal year they were reserved for.

### **Section K. Investments**

Subd. (1) This investment policy applies to activities of the County with regard to investing the financial assets of all funds maintained.

- (a) All cash and investments will be maintained in a single cash and investment pool, unless otherwise required by law, court order, or County Board directive.
- (b) Interest revenue and gains (or losses) on sales of investments will be retained in the general fund unless specifically designated otherwise by County Board resolution, state statute, grant regulation, or contract.
- (c) All revenues, expenditures, assets, and liabilities relating to securities lending transactions will be recorded in the general fund. Revenue gains (or losses) related to this investment of cash collateral will be retained in the general fund.