

**Polk County Wisconsin**

**FUND BALANCE POLICY**

**Policy 910**

**Effective Date: 05-20-2008**

**Fund Balance Policy**

**Purpose and Scope**

The purpose of this policy is to establish a framework for the unreserved fund balance, both designated and undesignated, in the general fund. This policy is to improve the county's financial stability by maintaining appropriate reserves to withstand economic downturns, emergencies or natural disasters, short-term capital improvements and operating cash flow needs.

**Policy**

These policy guidelines will provide direction during the budget process and demonstrate a commitment to maintain adequate financial reserves for long-term financial planning.

A. The county will manage its fund balance within the following parameters:

- a. The county will maintain an unreserved fund balance of not less than 20% based on the budgeted operating expenditures, as measured on December 31<sup>st</sup> of each year.
- b. And the county may decide to maintain a target level of no less than four months of the current years budgeted operating expenditures in the fund balance.
- c. The parameters should be reviewed by the Finance Committee annually or more often if conditions change.

B. The county will maintain appropriate levels of fund balance by:

- a. Allowing for the planned use of fund balance for defined purposes, including property tax relief and funding for major capital projects or time-limited projects;
- b. Designating fund balance for future expenditures, carryover, cash flow and incurred but not recognized items, budget stabilization, long-term personnel obligations, and
- c. Using fund balance to mitigate the effects of fluctuations in state aid.

C. If any planned use of fund balance or if the fund balance falls below 20% there shall be an accompanied plan to restore the fund balance to the minimum targeted level.

**Monitoring and Reporting**

The Finance Director will estimate the surplus or deficit for the current year and prepare a projection of the year-end unreserved fund balance to the Finance Committee, as part of the annual budget process.