

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27

TO THE WINNEBAGO COUNTY BOARD OF SUPERVISORS:

NOW, THEREFORE, BE IT RESOLVED by the Winnebago County Board of Supervisors that it adopts the attached Fund Reserve Policy.

28

29
30
31
32
33
34
35
36

Jonathan D. Doemel
Winnebago County Executive

County Board Report



DATE: March 19, 2024
FROM: Paul Kaiser, Director of Finance
AGENDA ITEM: 365-032024 Approval of the Winnebago County Fund Reserve Policy

General Description:

Approval of an updated Fund Reserve Policy.

Action Requested:

Motion to recommend county board pass the resolution approving the updated Fund Reserve Policy.

Procedural Steps:

Committee of Jurisdiction:	P&F	Meeting Date:	03/07/2024
Action taken:	_____	Vote:	5-0
County Board:	_____	Meeting Date:	_____

Background:

Over the past few months, this committee has been discussing updates to the Fund Reserve Policy. The policy concepts were reviewed at previous meetings. The committee chair reviewed this proposal with the director of finance prior to inclusion on this agenda.

Winnebago County's goal in establishing a fund balance policy is to provide both short term and long-term financial stability by ensuring sufficient funds are available to provide services and maintain infrastructure. A significant amount of the county's funds is held in fund balance accounts and this policy establishes guidance for the use of said fund balances. Fund balance is an important measure of economic stability and is a key indicator in determining the county's credit worthiness and essential in maintaining the county's bond rating of Aa1. This policy also addresses the County's requirements under Government Accounting Standards Board (GASB) 54 surrounding the composition of fund balance, including the establishment and use of the various components of fund balance.

Policy Discussion:

The policy provides definitions of the policy's components. Having an updated policy ensures compliance with the Government Accounting Standards Board (GASB) and

Government Financial Officers Association (GFOA) best practices and guidelines.

The Winnebago County Fund Reserve Policy has not been updated in several years.

This policy is written in an easy-to-understand format, which complies with government finance best practices, and lists the funds within the Winnebago County government.

Committee Discussion and Recommendation:

Finance Director Paul Kaiser appeared before the committee. This is the third time the committee has reviewed the fund policy. This item includes the final proposal with changes from Chair Cox and Director of Administration Mike Collard. Mr. Kaiser stated this document is more inclusive of all the funds in the county government, such as Park View Health Center, Solid Waste, Airport, Highway, internal service funds, and debt service. The policy includes best practices from the government industry including the Government Finance Officers Association.

Chair Cox asked about the budget stabilization funds. Mr. Kaiser likes this because throughout the past few years the unassigned general fund is being used as a budget stabilization tool. Adding a budget stabilization fund is a government best practice to make the planned use of fund balance more transparent.

Chair Cox complimented Mr. Kaiser.

Mr. Nussbaum asked why we would not have the language to state "or apply to the tax levy." Mr. Collard stated that if it were optional it wouldn't be a problem; however, the budget stabilization fund would be for this exact purpose, which is to reduce the levy. Mr. Nussbaum asked if Supervisor Farrey could bring this up at county board. Mr. Collard confirmed.

Ms. Ellenberger asked if we are doing this now, has it been done in the past, and could be done in the future. Mr. Collard stated that in his ten years with the county, the budget has applied general fund balance. Chair Cox stated that the board makes the final decision on the budget. Ms. Ellenberger asked if it is necessary. Mr. Collard did not see it as necessary, but did not have an objection to add it. Mr. Cox said the board can do it.

Motion by David Albrecht, seconded by Betsy Ellenberger to approve the resolution titled Approval of the Winnebago County Fund Reserve Policy. Passed. Yes 5, No 0, Abstained 0

Attachments:

1. Fund Reserve Policy

PURPOSE

Winnebago County's goal in establishing a fund balance policy is to provide both short term and long-term financial stability by ensuring sufficient funds are available to provide services and maintain infrastructure. A significant amount of the county's funds is held in fund balance accounts and this policy establishes guidance for the use of said fund balances. Fund balance is an important measure of economic stability and is a key indicator in determining the county's credit worthiness and essential in maintaining the county's bond rating of Aa1. This policy also addresses the County's requirements under Government Accounting Standards Board (GASB) 54 surrounding the composition of fund balance, including the establishment and use of the various components of fund balance.

DEFINITIONS

Fund Balance – A governmental fund's fund balance is the difference between its assets, deferred outflows and its liabilities and deferred inflows.

Fund Balance Components – An accounting distinction is made between the portions of fund equity that are spendable and nonspendable. Under GASB 54, these are broken up into five (5) categories:

1. Nonspendable fund balance - amounts that are not in a spendable form (such as inventory, prepaid items, long term advances and delinquent property taxes) or are required to be maintained intact (such as the corpus of an endowment fund)
2. Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and dedicated property tax.
3. Committed fund balance - amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. Committed amounts are typically established through formal board or finance committee resolutions.
4. Assigned fund balance - amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
5. Unassigned fund balance – the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

General Fund – A governmental fund that typically serves as the chief operating fund of a government. The General Fund is used to account for all financial resources not accounted for in some other fund. Accounts in the General Fund can be Unassigned, Assigned or Committed. Winnebago County currently has the following funds in the General Fund:

- Unassigned General Fund - Unassigned
- Jail Improvement Fund - Committed
- Public Health Fund - Assigned
- Property Lister Fund - Assigned
- Scholarship Fund - Committed
- Boat Launch Fund - Assigned
- Technology Fund – Assigned (to become Internal Service Fund with this policy).
- Land Records Fund - Assigned
- Industrial Development Board Fund - Committed

Unassigned General Fund – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes in the General Fund. The Unassigned General Fund is the only fund that reports a positive unassigned fund balance amount. In addition, negative balances in other governmental funds are classified as unassigned. While Winnebago County has not announced a formal policy governing the priority of spending fund balances, in conformance with GASB 54 requirements, when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, restricted resources are spent first, followed by committed resources, assigned resources and unassigned resources.

Proprietary Funds – Proprietary funds, or otherwise referred to as enterprise funds are used to report activity that for which a fee is charged to external users for goods or services. The principal source of revenue for these funds are from sources other than property taxes, grants and transfers. The County reports the following **Enterprise funds**:

- Airport Fund
- Solid Waste Management Fund
- Park View Health Center Fund
- Highway Fund

Internal Service Funds – Internal Services funds are set up to account for goods and services provided by certain entity departments on a cost-reimbursement fee basis.

- General Services Fund
- Workers Compensation Fund
- Property Liability Insurance Fund
- Health Insurance Fund
- Dental Insurance Fund
- Information Technology Fund

Special Revenue Funds – Special Revenue Fund is an account established by a government to collect money that must be used for a specific project. Special revenue funds provide an extra level of accountability and transparency to taxpayers that their tax dollars will go toward the intended purpose. Winnebago County currently has four separate special revenue funds:

- Opioid Abatement Fund
- Neighborhood Improvement Fund
- SPIRIT Fund
- Human Services Fund - Excess funds in the Human Services will be transferred to the Unassigned General Fund at the end of the calendar year prior to closing. Committed fund balance will represent State Supplemental Funds. Fund transfers to the Unassigned General Fund can't exceed the equity in cash value for the fund.

Debt Service Fund - Assigned fund balance would be designated funds for debt service. This would represent remaining monies budgeted for debt service but not expended and would be used to offset the amount of the levy needed in future years for debt service.

Capital Projects Fund - Assigned balance would be designated funds for specific approved capital projects. All surplus funds would be transferred to the Unassigned General Fund

POLICY

General Fund (Assigned & Unassigned) - Appropriate Range of Fund Balance

Winnebago County's General Fund (Assigned & Unassigned) has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. Winnebago County's basic goal is to limit expenditures to anticipated revenue to maintain a balanced budget when possible.

Winnebago County's goal is to achieve and maintain a fund balance in the general fund (Assigned & Unassigned) plus the Human Services Fund equal to a target range of 20% - 25% of related funds expenditures. The numerator for this calculation will include all Unassigned & Assigned balances for the general fund (100) and Human Services Fund (200). The denominator for this calculation will include all expenditures for the general fund (100) and Human Services Fund (200). The County will measure its compliance with this policy based on the future adopted budget and past years performance as soon as practical after final year-end audit becomes available.

Funding of the Unassigned General Fund balance will generally come from excess revenues over expenditures or one-time revenues. The use of fund balance may be appropriate for one-time expenditures but should be managed carefully to avoid creating a structural deficit.

In the event the calculation exceeds the upper limit of the target range at the end of each fiscal year, any excess will be used in the following ways:

1. An Amount will be appropriated to lower the amount of bonds or contributions needed to fund capital projects.
2. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs.
3. At least half will be used to establish a Budget Stabilization Fund

In the event the calculation falls below the targeted goal a plan will be developed and included in the annual budget process.

QUALITY CONTROL AND QUALITY ASSURANCE

Committed Fund Balance

The Board is the County's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board at the board meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned & Unassigned Fund Balance

The Board has authorized the Director of Finance as the official authorized to assign fund balance to a specific purpose, with Personnel & Finance committee oversight, in compliance with this fund balance policy.

It is the responsibility of the Director of Finance to ensure the presence of procedures that provide sufficient guidance to affected County personnel to fulfill the intent of this policy. These policies will be reviewed at least annually and updated on an as-needed basis.

FUND BALANCE AND NET POSITION ADDENDUM

Proprietary Funds – The intent of the Proprietary funds is to set rates for various charges for services that allows them to be self-sustaining. If charges for service do not allow these funds to be self-sustaining, the County will transfer resources into the fund or allocate tax levy to subsidize operations of the fund.

- Airport Fund
- Solid Waste Management Fund
- Park View Health Center Fund
- Highway Fund

The Airport, Park View Health Center and Highway funds are currently not self-sustaining funds and receive tax levy. These funds will be reviewed at end of year after completion of audit and prior to next year's budget.

Internal Service Funds –The intent of these funds is to account for the expenditures in a specified fund so that departmental charges can be easily determined and evaluated. The county reports the following internal service funds:

- General Services Fund
- Workers Compensation Fund
- Property Liability Insurance Fund
- Health Insurance Fund
- Dental Insurance Fund
- Information Technology Fund

The internal service funds should be reviewed at the end of the year after completion of the audit as well as prior to the creation of the budget for the next year.

The review of the Internal Service Funds should include but not limited to:

- Past, Current and Future claims
- Claims Handling and Risk Control Services
- Operating Cost
- Personnel Costs
- Change in inventory were applicable.