

Category: 200
Policy: 221

Subject: **FRINGE BENEFIT FUND BALANCE POLICY**

1. PURPOSE: The purpose of this financial policy is to establish levels of reserves within the Fringe Benefit Fund operated and maintained by the County of Gratiot. The levels of Fund Balance prescribed within this policy are designed to ensure adequate cash flow for operations, adequate reserves for contingency and emergency situations, and adequate funds for the perpetual continuation of the services provided by the operating funds of the County.
2. AUTHORITY: The authority to establish Fund balance levels within the Fringe Benefit Fund lies with the Gratiot County Board of Commissioners.
3. APPLICATION: This policy applies to the Fringe Benefit Fund.
4. RESPONSIBILITY: The Board of Commissioners shall be responsible for the adoption and amendment of this policy. The Administrator and Treasurer shall be responsible for the implementation of this policy.
5. DEFINITIONS:
 - 5.1 General Fund: Used to account for all financial resources except those required to be accounted for in another fund.
 - 5.2 Special Revenue Funds: Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
 - 5.3 Internal Service Funds: Used to account for the financing of goods or services provided by one department or agency to another department or agency of the County of Gratiot, or to other governmental units, on a cost-reimbursement basis.
 - 5.7 Trust and Agency Funds: Used to account for assets held by the County of Gratiot in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust funds, nonexpendable trust funds, pension trust funds and agency funds.
 - 5.8 Cash Flow: Funds required to meet the continuing financial needs of the County in order to maintain a positive cash position in a fund. This is essential when revenue streams are inconsistent with expenditure streams or revenues are on a reimbursement basis.
 - 5.9 Fund Balance/Reserves: Designated portions of assets, which represent financial resources available to finance expenditures other than those tentatively planned.
 - 5.10 Restricted Fund Balance/Reserve: That portion of a fund balance/reserve which is

restricted by law, agreement or encumbrance and must be maintained for its restricted purpose.

5.11 Budget Stabilization: Designated portions of assets, which represent financial resources, dedicated to maintaining the long-term financial viability of a specific fund.

6. POLICY:

6.1 Fringe Benefit Fund Health Insurance Activity: This activity in the Fringe Benefit Fund accumulates cost for group health insurance claims from all of the County's Funds and Activities in order to provide centralized efficient health benefits and coverage to the County. The minimum reserves maintained within these Funds shall be as follows:

- Reserve for value of known claims
- Reserve for submitted but not adjudicated claims
- Reserve for incurred but not reported claims (IBNR) equal to 25% of annual estimates for each fiscal year.

7. ADMINISTRATIVE PROCEDURES: The Administrator and the Treasurer shall be responsible for developing, updating and implementing the maintenance of reserves within the fund identified within this policy.

8. ADMINISTRATOR /LEGAL COUNSEL REVIEW: The Administrator has determined that this policy as submitted to the Board of Commissioners contains the necessary substance in order to carry out the purpose of the policy. The County Civil Counsel has determined that this policy as submitted complies with all applicable laws, rules and regulations.

Approved as to Substance:

Approved as to Legal Content:

Gratiot County Administrator

Gratiot County Civil Counsel