

SANILAC COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

ADMINISTRATIVE POLICY

NUMBER: BA061

NAME: FUND BALANCE POLICY

INITIAL APPROVAL DATE:	04/27/1999	BY: Sanilac CMH Board
(LAST) REVISION DATE:	01/06/2017	BY: Finance Director
(LAST) REVIEW DATE:	01/16/2025	BY: Policy Committee
DISCONTINUED DATE:	N/A	REPLACED BY: N/A

I. PURPOSE

Fund balance is the difference between the assets of a particular fund and its liabilities. It is necessary to maintain a certain fund balance as part of a comprehensive risk management strategy.

II. APPLICATION

Populations: **NONE**
Programs: **Direct - NONE**
Contracted - NONE

III. POLICY

Sanilac County Community Mental Health Authority will identify and maintain an adequate level of fund balance.

IV. DEFINITIONS

V. STANDARDS

The CEO shall annually review, with the CFO, the agency fund balance, as part of the budget process, after considering the following factors:

- A. Cash Flow – the ability to pay the bills when they become due with available cash resources without resorting to borrowing. An adequate amount must be maintained in the fund balance to provide for the fluctuations in cash receipts and disbursements to allow for timing differences.
- B. Risk Corridor – An adequate amount of fund balance must be maintained to provide for a potential loss due to services authorized in excess of capitated revenues received.
- C. Liabilities – Unanticipated expenses and/or state DHHS audit exceptions may come to the forefront after the termination of a grant or the close of the agency's fiscal year, which could cost the agency a tremendous amount of money which was not budgeted. An adequate amount should be set aside to provide for this potential problem.

- D. State Match – Community Mental Health agencies must provide a ten percent match to capture state revenues, which are a significant portion of the budget. A failure to meet the ten percent requirement would prove disastrous to the agency's financial situation. Since the funding sources of local match are not guaranteed and vary from year to year, it is essential to provide an adequate reserve to provide for potential losses of revenue.

VI. ATTACHMENTS

VII. REFERENCES