

## **RESOLUTION 11-19**

### **Fund Balance Policy**

A RESOLUTION OF THE CITY OF MCCALL, IDAHO, PROVIDING FOR A FUND BALANCE POLICY RELATING TO GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 54; ADOPTING A FUND BALANCE POLICY COVERING THE GENERAL FUND, SPECIAL REVENUE FUNDS, AND ENTERPRISE FUNDS; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City of McCall may not expend funds in excess of their appropriation, Idaho Code 50-1006; and

WHEREAS, the City of McCall receives revenues at different intervals than it expends funds; and

WHEREAS, the City of McCall must make prompt payments of debts and obligations, Idaho Code 67-2302; and

WHEREAS, the City of McCall's auditors recommend maintaining a fund balance that enables the City to meet debts and obligations when due; and

WHEREAS, on March 14, 2002 the McCall City Council adopted Resolution 02-04, establishing minimum fund balances; and

WHEREAS, the Governmental Accounting Standards Board (GASB) has adopted Statement 54 (GASB 54), a new standard for governmental fund balance reporting and governmental fund type definitions that became effective in governmental fiscal years starting after June 15, 2010; and

WHEREAS, on September 23, 2011 McCall City Council conducted a work session and received information from the City Treasurer on GASB 54 changes in fund balance categories and classifications; and

WHEREAS, the City Council of McCall directed staff to bring forth a fund balance policy incorporating GASB 54 fund balance categories and classifications; and

WHEREAS, the City Council of McCall directed staff to bring forth a minimum required fund balance policy for the governmental funds, specifically the General Fund and Special Revenue Funds.

NOW, THEREFORE, it is resolved by the Mayor and City Council of the City of McCall, Valley County, Idaho, that:

Section 1: The McCall City Council hereby adopts The City of McCall Fund Balance Policy, a copy of which is attached as Attachment A, and incorporated herein by this reference. This new policy supersedes and replaces the fund balance policy adopted in Resolution 02-04.

Section 2: This resolution shall be in full force and effective immediately upon its adoption and approval.

Passed and approved this 3 day of November, 2011.



CITY OF MCCALL  
Valley County, Idaho

A handwritten signature in cursive script, appearing to read "Donald C. Bailey".

Donald C. Bailey, Mayor

ATTEST:

A handwritten signature in cursive script, appearing to read "BessieJo Wagner".

BessieJo Wagner, City Clerk

## **City of McCall Fund Balance Policy**

Fund Balance is an important indicator of the City's financial position. Fund Balance is the difference between assets and liabilities in the governmental funds. Maintaining minimum fund balances is considered a prudent management practice. Adequate fund balances are maintained to allow the City to continue providing services to the community in case of unforeseen revenue fluctuations, unanticipated expenditures, and to ensure the City has sufficient cash flows.

The following classifications will apply to fund balances in the City's governmental funds:

- *Nonspendable Fund Balance* – amounts that are non cash or legally or contractually required to be maintained intact such as inventory, long term loans receivable, property held for sale, endowment or permanent fund principal, and prepaid items.
- *Restricted Fund Balance* – amounts that have externally enforceable limitations on their uses; amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.
- *Committed Fund Balance* – amounts constrained to specific purposes by the City Council itself; to be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same level of action to remove or change the constraint.
- *Assigned Fund Balance* – amounts the City Council intends to use for a specific purpose; intent can be expressed by the Council or by an official designated by the Council by resolution.
- *Unassigned Fund Balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

The Treasurer is authorized to classify available fund balance for specific purposes in accordance with Government Accounting Standards Board (GASB) Statement No. 54. The City will follow the GASB recommendation that the restricted, committed, and assigned fund balances are spent first followed by the unassigned fund balance.

### **Minimum Fund Balance Policy**

To ensure sufficient cash flow to maintain services between property tax receipts and to provide budget stabilization, the City will maintain minimum fund balances in the General Fund and the Special Revenue Funds for both cash flow and budget stabilization as described below:

#### **Cash Flow:**

- *General Fund* – an amount equal to twenty-five percent (25%) of the current years' operating budget.

- *Special Revenue Funds* – an amount equal to twenty percent (20%) of the current years' operating budget

**Budget Stabilization:**

- *General Fund* – an amount equal to fifteen percent (15%) of the three most recent years' average operating budget.
- *Special Revenue Funds* – an amount equal to ten percent (10%) of the three most recent years' average operating budget.

Minimum fund balances will be calculated as of the City's fiscal year end (September 30). The minimum fund balances will be classified as committed fund balance.

In the event the minimum fund balance funds are used, the City shall strive to restore the minimum fund balance to the above levels within no more than three fiscal years following the fiscal year in which the reserves were used.

**Unassigned Funds**

The unassigned fund balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. Funds in excess of the minimum fund balances described in the paragraphs above will be Unassigned General Fund Balance, unless otherwise assigned in accordance with GASB Statement No. 54, and may be considered to supplement "pay as you go" capital outlay and one-time operating expenditures, or may be used to prepay existing city debt. These funds may not be used to establish or support costs that are recurring in nature.

Any use of unassigned funds must be approved by the City Council upon recommendation of the City Manager.

**Enterprise Funds:**

The City will maintain minimum cash reserves for Enterprise Funds, in addition to any sums required under loan or bond agreements, an amount equal to 30% of the three most recent years' average operating budget.