

CITY OF FALCON HEIGHTS
COUNCIL RESOLUTION

November 9, 2011

No. 11-16

FUND BALANCE POLICY

The purpose of the fund balance policy is to establish appropriate fund balance levels for each fund that is primarily funded by property tax revenues. Currently, only the General Fund is primarily funded by property tax revenues. This policy will ensure that adequate resources are available to meet cash flow needs for carrying out the regular operations of the City and future needs.

General Fund:

The General Fund is established to account for all revenues and expenditures which are not required to be accounted for in other funds. Revenue sources include property taxes, license and permit fees, fines and forfeits, service charges, intergovernmental revenues, investment interest earnings, miscellaneous revenues, and transfers. The General Fund's resources finance a wide range of functions including the operations of the general government, public safety, and public works.

The City will strive to maintain a minimum unassigned fund balance in the General Fund in the range of 45% of the subsequent year's budgeted expenditures. Since a significant source of revenue comes from property taxes, maintaining a fund balance that is equal to at least five months of operating expenditures ensures that sufficient resources are available to fund basic City functions between property tax settlements. If the fund balance falls below the minimum desired level, then additional future revenue sources will be pursued and expenditures will be examined in relation to various service levels.

Governmental Fund Balance classifications are defined as follows:

Non Spendable: Resources that are "permanently precluded from conversion to cash." Such items include prepaid items; inventory; land held for resale; and long-term receivables that are not otherwise restricted, committed, assigned, or offset by deferred revenues.

Restricted: Resources that are constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions. Examples include fund balance related to unspent bond proceeds, tax increments, debt service fund balances, and park dedication fees.

Committed: Resources that are constrained by City Council resolutions for a specific purpose. Fund balance commitment resolutions must be completed before December 31st to be effective for that fiscal year and remain in effect until the commitment is changed or eliminated by Council resolution.

Assigned: Resources that are intended for a specific purpose by management if delegated authority by Council. This would include any remaining positive fund balance in another fund other than the general fund.

Unassigned: Remaining resources that are available for any purpose. Unassigned fund balance will occur only in the General Fund or in other funds where there is a negative fund balance that can not be eliminated by reducing restricted, committed, or assigned fund balance.

The City Council authorizes the City Administrator to administer "Assigned Fund Balance" that reflects the City's intended uses of the funds. When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned 3) unassigned. These fund balance classifications apply only to Governmental Funds, not Enterprise Funds.

Moved by: *Harris*

Approved by: *Peter C Lindstrom*
Peter Lindstrom, Mayor
November 9, 2011

LINDSTROM	<u>5</u>	In Favor
GOSLINE		
HARRIS	<u>0</u>	Against
LONG		
MERCER-TAYLOR		

Attested by: *JM*
Justin Miller, Administrator
November 9, 2011