



Finance Committee Meeting

AGENDA

November 1, 2011

- I. CALL TO ORDER

- II. MATTERS BEFORE COMMITTEE
 1. [Fund Balance Policy](#)

- III. ADJOURN



Finance Committee Meeting

AGENDA

November 1, 2011

Item:

Fund Balance Policy

Department:

Additional Information:

Financial Impact:

Budgeted Item:

Recommendation / Request:

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Attachments / click to download

 [Fund Balance Policy](#)

City of Monroe Fund Balance Policy

Adopted: Pending

The Mayor and City Council recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the City and is fiscally advantageous for both the City and its taxpayers. This policy establishes goals and provides guidance concerning the desired level of fund balance maintained by the City to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The City so seeks to maintain the highest possible credit ratings which are dependent, in part, on the City's maintenance of an adequate fund balance.

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

- 1) **Nonspendable fund balance** – amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
- 2) **Restricted fund balance** – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).
- 3) **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the Mayor and City Council. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the Mayor and City Council's commitment in connection with future construction projects).
- 4) **Assigned fund balance** – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the Mayor and City Council or by a designee to whom the Mayor and City Council 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** – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

The responsibility for designating funds to specific classifications shall be as follows:

Committed Fund Balance – The Mayor and City Council is the City’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 Mayor and City Council.

Assigned Fund Balance – The Mayor and City Council has authorized the City Administrator and the Finance Director as officials authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

When multiple categories of fund balance are available for expenditure (e.g., a project is being funded partly by a grant, funds set aside by the Mayor and City Council, and unassigned fund balance), the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.