

Funds and Fund Balances Policy

1. Policy Objective

1. To set forth the City's policy regarding Funds and Fund Balances.
2. To establish a key element of the financial stability of the City by setting guidelines for Fund management and Fund balances.
3. To determine what Funds the City manages, what fund balances will be maintained, and determining the essential expenditures allowed for the use of spending fund balances.

2. Policy Details

1. *Purpose of Maintaining a Fund Balance:*

- a. The City will maintain minimum Fund Balances for:
 - i. Economic uncertainties
 - ii. Local disasters
 - iii. Financial hardships or downturns in the local or national economy
 - iv. Contingencies for unseen operating or capital needs
 - v. Cash flow requirements
- b. The City does not have a maximum Fund Balance threshold.

2. *Minimum Unassigned Fund Balance*

- a. General Fund (01)
 - i. Minimum Fund Balance
 - 1) Operating Reserve
 - (a) City will maintain a minimum Fund Balance of at least 3 months of Personnel and Operating expenses of the most current audited fiscal year.
 - (1) Finance department will be responsible for determining the annual amount for the minimum fund balance.
 - 2) Emergency Reserve
 - (a) City will maintain a minimum fund balance of at least 3% of the Total Capital Assets (not depreciated) of the General Fund as determined from the most current audited fiscal year.
 - (1) Finance department will be responsible for determining the annual amount for the minimum fund balance.
- b. Impact Fee Fund (07)
 - i. Minimum Fund Balance
 - 1) City will allow the Impact Fee Fund to spend 100% of the available fund balance.
 - 2) City will allow the Impact Fee Fund to borrow from the General Fund or Capital Improvement Fund with a guarantee to payback 100% of the borrowed funds within 4 years free of interest.
 - (a) Maximum combined borrow amount for the Impact Fee Fund from all funds will not be greater than 25% of the highest previous 3 years of actual revenues for the Impact Fund.
- c. Public Safety Fund (08)
 - i. Minimum Fund Balance
 - 1) City will allow the Public Safety Fund to spend 100% of the available fund balance.
- d. Grants Fund (20)
 - i. Minimum Fund Balance
 - 1) City will allow the Grant Fund to spend 100% of the available fund balance.
- e. Capital Improvement Fund (55)
 - i. Minimum Fund Balance
 - 1) City will allow the Capital Improvement Fund to spend 100% of the available

fund balance.

- f. Enterprise Fund (60)
 - i. Minimum Fund Balance
 - 1) Operating Reserve
 - (a) City will maintain a minimum fund balance of at least 1 months of Personnel and Operating expenses of the most current audited fiscal year.
 - (1) Finance department will be responsible for determining the annual amount for the minimum fund balance.
 - 2) Emergency Reserve
 - (a) City will maintain a minimum fund balance of at least 3% of the Total Capital Assets (not depreciated) of the Enterprise Fund as determined from the most current audited fiscal year.
 - (1) Finance department will be responsible for determining the annual amount for the minimum fund balance.
 - ii. City will allow the Enterprise Fund to borrow from the General Fund with a guarantee to payback 100% of the borrowed funds within 4 years free of interest.
 - 1) Maximum combined borrow amount for the Enterprise Fund from the General Fund will not be greater than 15% of the highest previous 3 years of actual sewer and water user rate based revenues.
- g. Enterprise Fund - Grants (61)
 - i. Minimum Fund Balance
 - 1) City will allow the Enterprise Fund - Grants Fund to spend 100% of the available fund balance.

3. Assignment and Commitment of Fund Balance

- a. City Council is the only authorized body to Commit Fund Balance dollars.
 - i. All Committed Fund Balance dollars must be approved by City Council during a public hearing.
 - 1) All Commitment proposals must be approved by the Chief Financial Officer/City Treasurer prior to public hearing prior to fiscal year end ([GASB 54](#)).
- b. Chief Financial Officer/City Treasurer is the only authorized individual to Assign Fund Balance dollars.

4. Use of Minimum Fund Balance

- a. Chief Financial Officer/City Treasurer must approve all requests to spend any fund balance amounts that would reduce the total Fund Balance below the minimum fund balance amounts as stated in this policy.
- b. The use of minimum fund balance dollars will only be used for one-time expenditures associated to an emergency and will not be carried into future fiscal years.

5. Fund Creation/Deletion

- a. Finance department will be responsible for the creation and or deletion of any Fund.

6. Capital Improvement Fund (55) Transfers

- a. Any excess revenues generated by the Community Development department in any fiscal year may be transferred from the General Fund to the Capital Improvement Fund.
 - i. Chief Financial Officer/City Treasurer will propose to Council once per fiscal year with the recommended amount of excess revenue to transfer from the General Fund to the Capital Improvement Fund.
 - 1) Chief Financial Officer/City Treasurer is responsible to verify all transfers will not reduce the amount of unassigned General Fund Balance below the minimum fund balance policy for the General Fund.
 - ii. City Council is the only authorized body to authorize the transfer of funds from the General Fund to the Capital Improvement Fund.

7. Transfer of Funds

- a. Only the City Council can transfer funds from one fund to another with the approval of the Chief Financial Officer/City Treasurer.

- i. Chief Financial Officer/City Treasurer is responsible to verify all transfers will not reduce the amount of unassigned fund balance below the minimum fund balance policy for any Fund.
- ii. Chief Financial Officer/City Treasurer is responsible to verify all transfer requests do not violate restricted, committee, or assigned funds.

3. Policy Roles and Responsibilities

1. Finance department will be responsible for managing and maintaining the City's financial system and the funds that comprise the City's financial statements.
2. Finance department will be responsible for calculating the necessary fund balance reserves for each fund.
3. Finance department will be responsible for all reporting to Council, Mayor, department Directors, Citizens, and Community Partners relating to Fund Balances.
4. City Council is the only authorized body to Commit fund balance dollars.
5. City Council is the only authorized body to transfer unexpended fund balances from one Fund to another ([State Code Section : 50-1014](#)) following
6. City Council and the Chief Financial Officer/City Treasurer can assign available fund balance dollars.

4. General Purpose Statement

The City of Meridian (City) has an important responsibility to its citizens to carefully account for public funds, manage municipal finances wisely and transparently, manage growth, plan for adequate funding necessary for future maintenance, and development within the City.

The financial management policies of the City are designed to establish guidelines for the fiscal stability of the City. The scope of the financial management policies of the City generally spans, among other issues, accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, asset management, procurement, and debt management, in order to:

1. demonstrate to the citizens of Meridian, the investment community, and community partners that the City is committed to a strong fiscal operation;
2. provide precedents for future policy-makers and financial managers on common financial goals and strategies;
3. present fairly, transparently, and with full disclosure the financial position and results of the financial operations of the City in conformity to Generally Accepted Accounting Principles (GAAP); and
4. determine and demonstrate compliance with finance-related legal and contractual issues in accordance with provisions of the State of Idaho Government Code and other pertinent legal documents and mandates.

5. Policy Approval

Approval Date - 5/28/2020

Ordinance Number - 19-1866

Governance Body : Finance Department - Chief Financial Officer/City Treasurer