



FUND BALANCE POLICY

City of Joshua, TX

Purpose

The 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 the taxpayer. 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. Specifically, the City desires to maintain adequate fund balance (reserves) in the City's various funds to:

- Provide sufficient cash flow for operations
- Provide for fluctuations in capital expenditure project spending
- Improve investment-grade bond ratings
- Ensure long-term fiscal sustainability

Authority

The Joshua City Council is responsible for the approval of financial policies which establish and direct the operations of the City of Joshua. The City Manager is responsible for carrying out the policy directives of the City Council and managing the day-to-day operations of all city departments and serves as the city's Chief Financial Officer. As the Chief Financial Officer, the City Manager shall administer this policy.

Definitions

Fund balance - a measurement of available financial resources and is the difference between total assets and total liabilities in each fund. Classifications within Fund Balance: GASB Statement 54 distinguishes fund balance classifications based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

Non-spendable 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).

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).

Committed fund balance – amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the council's commitment in connection with future construction projects).

Assigned fund balance – amounts intended to be used by the government for specific purposes. Intent can be expressed by the City Council or by a designee to whom that governing body delegates the authority. (In governmental funds other than the general fund, the assigned fund balance represents the amount that is not restricted or committed but by definition, being accounted for in a separate fund, are intended to be used for the purpose of that fund).

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.

Policy

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

Committed Fund Balance

The City Council, as the City's highest level of decision-making authority, shall establish, modify, or rescind a fund balance commitment by resolution.

Assigned Fund Balance

The City Manager may assign fund balance to a specific purpose.

Minimum Unassigned Fund Balance General Fund

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund of not less than 25% of general fund expenditures. If the unassigned fund balance falls below its goal, the City shall develop a corrective action plan within the same year and take actionable steps. City Council shall seek to preserve fund balance in the budget process when considering new programs and services and will consider financial resources available or needed in other funds in assessing the adequacy of the general fund.

Order of Expenditure of Funds

When an expenditure can be charted to multiple categories of fund balance (e.g., a project is being funded partly by a grant, funds set aside by the City, and unassigned fund balance), the most restricted category will be used first, then the next-most restricted category or categories.

Excess Fund Balance

Should the situation present itself where the City has an unrestricted fund balance in the general fund above the needs of the foreseeable future, it is the policy of the City that fund balance not be used as a funding source for ongoing recurring expenditures. For example, the City may achieve unexpected savings during a fiscal year, creating a one-time surplus. One-time fund balance surpluses are only to be used as a funding source for one-time expenditures.