

**CITY OF KIMBALL**  
**MUNICIPAL POLICY NUMBER 09-2011**  
**FUND BALANCE POLICY**

**DATE COUNCIL APPROVED:** December 6, 2011

**Updated:** December 19, 2017

**I. Purpose**

The purpose of this policy is to establish specific guidelines the City of Kimball will use to maintain an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City's fiscal year.

The purpose of this policy is to also establish specific guidelines the City of Kimball will use to classify fund balances into categories based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

**II. Classifications of Fund Balance**

*Non-spendable:* This category includes fund balance that cannot be spent because it is either not in spendable form or is legally or contractually required to be maintained intact. Examples include inventories, prepaid amounts and permanent scholarships.

*Restricted:* Fund balance should be reported as restricted when constraints placed on those resources are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

*Committed:* Fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts. The City's highest level of decision making authority (City Council) will annually, or as deemed necessary, commit specific revenue sources for specified purposes by resolution. This formal action must occur prior to the end of the reporting period, however, the amount to be subject to the constraint, may be determined in the subsequent period. To remove the constraint on specified use of committed resources the City Council shall pass a resolution.

*Assigned:* Amounts that are constrained by the government's intent to use for specified purposes, but are neither restricted nor committed. Assigned fund balance in the General Fund includes amounts that are intended to be used for specific purposes.

*Unassigned:* Unassigned fund balance represents the residual classification for the General Fund. Includes amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

**III. Non-spendable Fund Balance**

At the end of each fiscal year, the City will report the portion of the fund balance that is not in spendable form as Non-spendable Fund Balance on financial statements.

#### **IV. Restricted**

At the end of each fiscal year, the City will report “restricted” fund balance for amounts that have applicable legal restrictions per GASB 54. In addition, encumbrances or funds restricted by enabling legislation will be reported as “restricted”.

#### **V. Committed**

Prior to the end of each fiscal year, the City will report “committed” fund balance for long-term loan receivables such as advances to other funds and similar accounts.

#### **VI. Assigned**

The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate.

#### **VII. Unassigned**

At the end of each fiscal year, the City will maintain Spendable – Unassigned portions of the fund balance for cash flow in a range equal to 35 – 50% of the General Fund operating expenditures. In addition to cash flow needs this accommodates emergency contingency concerns.

In the event that amounts designated for cash flow fall below the desired range, the City Council shall create a plan to restore them to the appropriate levels. Should the actual amount designated for cash flow rise above the desired range, any excess funds will remain undesignated pending the Council’s decision concerning transfer to another fund.

#### **VIII. Use of Funds**

When both restricted and unrestricted resources are available for use, it is the City’s policy to first use restricted resources and then unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the City’s policy to use resources in the following order: 1 – committed, 2 – assigned and 3 - unassigned.

A negative residual amount may not be reported for restricted, committed or assigned fund balances in the General fund.

#### **IX. Interfund Loans**

Interfund loans are intended to be a temporary internal financing mechanism which may be used to alleviate the need for debt issuance on a project that requires only short-term financing and/or to provide temporary internal financing on a project for which permanent financing will take place at a later date.

It is the policy of the City Council that interfund loans between the General Fund, Special Revenue Funds or Enterprise Funds may be used to alleviate a temporary cash deficiency. The loan shall be accounted for as a temporary borrowing between funds or accounts and shall not be available for appropriation or be considered revenue to the borrowing fund or account. Amounts transferred shall be repaid within 180 calendar days or as approved by Council resolution. Borrowing shall occur only when the fund or account

receiving the money will earn sufficient revenue during the current fiscal year, to repay the amount transferred. No more than 75 percent of the maximum of moneys held in any fund or account during a current fiscal year may be loaned or transferred.

Such loans shall not be used to balance the budget of the borrowing fund, nor shall they deter any function or project for which the loaning fund was established.

The City Council must adopt a resolution before any interfund loan transaction takes place. The resolution shall contain the exact amount of the loan, the funds involved, the purpose of the loan, the specific source of funds for repayment, the schedule for repayment and any interest rate involved.

**X. Approval of Fund Balance Policy**

This policy shall be formally approved and adopted by the City Council.