801 FUND BALANCES

801.010. GENERAL STATEMENT. The city shall maintain adequate financial reserves to: meet cash flow needs; fund short-term capital improvements and special one-time projects; meet emergencies; and mitigate the effects of unexpected fluctuations in revenues or expenditure needs. The city shall maintain the Spendable-Unassigned portions of the fund balance at a minimum amount of between 40 and 50 percent of the budgeted operating expenditures or six months of operating revenue whichever is greater and as measured on December 31st of each year.

801.020. DEFINITIONS. The following terms shall have the meanings prescribed herein.

801.021. Fund Balance. The term "Fund Balance" means the difference between assets and liabilities in a governmental fund.

801.022. Governmental Fund. The term "Governmental Fund" means an account maintained by the City of Birchwood Village There are five types of governmental funds: general fund, special revenue funds, debt service funds, capital projects funds and enterprise funds.

801.023. Non-spendable Fund Balance. The term "Non-spendable Fund Balance" means the amount of a fund balance that cannot be spent because it is either not in spendable form or there is a legal or contractual requirement for the funds to remain intact.

801.024. Spendable Fund Balance. The term "Spendable Fund Balance" means the amount of fund balance that is available for appropriation based on the constraints that control how specific amounts can be spent. The following categories define the revenue source and the level of force of the constraint on spending. Categories should be supported by actual plans approved by the governing body, an appropriate officer, or grant provider or enabling legislation.

801.025. Restricted Fund Balance. The term "Restricted Fund Balance" means that portion of the Spendable Fund Balance that reflects constraints on spending because of legal restrictions stipulated by outside parties such as encumbrances for goods or services, grantors outstanding at the end of the year, and any legal restrictions based on state statutes or grant requirements placed on the use for specific purposes.

801.026. Committed Fund Balance. The term "Committed Fund Balance" means that portion of the Spendable Fund Balance that reflects constraints that the city has imposed upon itself by a formal action of the city council (e.g., an ordinance or resolution). This constraint must be imposed prior to year end but the amount can be determined at a later date.

801.027. Assigned Fund Balance. The term "Assigned Fund Balance" means that portion of the Spendable Fund Balance that reflects funds intended to be used by the city for specific purposes assigned by more informal operational plans such as capital goods replacement; the constraint is not imposed by external parties or by formal council action. In governmental funds other than the General Fund the Assigned Fund Balance represents the amount that is not restricted or limited.

801.028. Unassigned Fund Balance. The term "Unassigned Fund Balance" means all those funds that are not contained in one of the other funds. It is the residual classification for the city's General Fund. It includes all spendable amounts not contained in the other classifications and, therefore, not subject to any constraints. Unassigned amounts are available for any purpose. These are the current resources available for which there are no government self-imposed limitations or set spending plan. Unassigned funds are commonly used for emergency expenditures and to cover expenditures for revenues not yet received.

801.030. GUIDELINES FOR MAINTAINING THE SPENDABLE – UNASSIGNED FUND BALANCE. The City shall follow the guidance below in preserving an adequate balance in the spendable – unassigned portion of the general fund.

801.031. The city will maintain the Spendable – Unassigned Fund Balance at an appropriate level by:

(1) Designating an amount of financial resources that are to be available for times of an emergency. An emergency may occur when budget deficits arise from significant revenue losses or expenditure increases; when there is a temporary revenue shortfall or when the city incurs an unpredicted expenditure.

(2) Developing a specific plan for increasing or decreasing the level of Spendable – Unassigned Fund Balance to bring it to compliance with the policy when the Spendable – Unassigned Fund Balance doesn't match the policy.

(3) Designating a portion of any year-end budget surplus for major projects such as street improvements or water treatment system upgrades. The city shall hold these financial resources in a designated account for a specified purpose.

(4) Designating a portion of any year-end budget surplus to increase the Spendable – Unassigned Fund Balance.

801.032. The Spendable – Unassigned Fund Balance may be above the range when saving for a major project or purchase and in anticipation of taking on an expensive capital project.

801.033. For any planned use of the Spendable – Unassigned Fund Balance below the minimum level, the city shall adopt a plan to restore the fund balance to the targeted level.

801.040. REPORTING. The city shall prepare the following reports regarding the status of the balances in the various funds maintained by the city.

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

801.042. At the end of each fiscal year, the city will report in its annual financial statements the Restricted Fund Balance.

801.043. At the end of each fiscal year, the city will report in its annual financial statements the Committed Fund Balance for any long-term loan receivables such as advances to other funds and similar accounts.

801.044. At the end of each fiscal year, the city will report in its annual financial statements the Assigned Fund Balance for equipment replacement according to the city's capital improvement plan.

EFFECTIVE DATE: This Ordinance shall be in full force and effect from and after its passage and approval and publication, as required by law.

"Eestablished by Ordinance 2012-05, May 8, 2012"