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FUND BALANCE POLICY

Fund balance is an important indicator of the City's financial position. Fund Balance is the difference between assets and liabilities in governmental funds. Maintaining reserves is considered a prudent management practice. Adequate fund balances are maintained to allow the City to continue providing services to the community in case of unexpected emergencies or requirements and/or economic downturns. The following classifications will apply to fund balance in the City's governmental funds:

- *Restricted Fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Assigned Fund balance* - amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. This authority has been delegated to the City Treasurer to assign amounts to be used for a specific purpose.
- *Unassigned Fund balance* - amounts that are available for any purpose; these amounts are reported only in the general fund.

Designated City personnel are authorized to classify available fund balance for specific purposes in accordance with Governmental Accounting Standards Board Statement #54. It is the policy of the City that expenditures for which more than one category of fund balance could be used, that the order of use is: Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

This policy establishes the amounts the City will strive to maintain in its General Fund balance, the conditions under which fund balance may be spent, and the method by which fund balances will be restored. These amounts are expressed as goals, recognizing that fund balance levels can fluctuate from year to year in the normal course of operations for any local government.

Reserves shall be used only after fully exhausting all other annual contingencies.

Unassigned Funds

The Unassigned Fund Balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications.

It is the intent of the City to limit use of Unassigned General Fund balances to address unanticipated, non-recurring needs or known and planned future obligations. Fund balances shall not normally be applied to recurring annual operating expenditures. Unassigned balances may, however, be used to allow time for the City to restructure its operations in a deliberate manner, but such use will only take place in the context of long-term financial planning.

Any use of Unassigned Funds must be approved by the City Council, upon recommendation of the City Administrator.

The Unassigned Funds include, in part, reserves as outlined below. They are reported as unassigned in accordance with GASB statement #54.

- Cash Flow Reserve

The City will maintain a General Fund "Cash Flow Reserve" of no less than seventeen percent (17%) of the estimated base General Fund revenues for the subsequent fiscal year. The Cash Flow Reserve is intended to be a reserve for unexpected events that would have a significant impact on the City's ability to maintain sufficient working capital such as failure of the State or Ada County to remit revenues to the City, unexpected mandates, unexpected loss of State shared revenues, to offset the unexpected loss of a significant funding source for the remainder of the fiscal year.

The Cash Flow Reserve is also intended for unexpected, large-scale events where excessive damage of one million dollars or more is incurred or may incur and where immediate, remedial action must be taken to protect the health and safety of residents (e.g. floods, fires, storm damage).

Any usage of Cash Flow Reserve must be appropriated by the City Council. In the event the Cash Flow Reserve funds are used, the City shall strive to restore the General Fund Cash Flow Reserve to the seventeen percent (17%) level.

Reporting

Classification and fund balance of the City's governmental funds at the end of each fiscal year will be presented to City Council in the City's Comprehensive Financial Annual Report.