



**NORTH  
ST. PAUL**  
*extraordinary.*

**FUND BALANCE POLICY**

Adopted November 19, 2019

## City of North St. Paul

### Fund Balance Policy

#### PURPOSE

The purpose of this policy is to create new fund balance classifications to allow for more useful fund balance reporting and for compliance with the reporting guidelines specified in Statement No. 54 of the Governmental Accounting Standards Board (GASB).

#### GENERAL STATEMENT OF POLICY

The policy of the City of North St. Paul is to comply with GASB Statement No. 54. To the extent a specific conflict occurs between this policy and the provisions of GASB Statement No. 54, the GASB Statement shall prevail.

#### DEFINITIONS - FUND BALANCE CLASSIFICATIONS

**Fund Balance** - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources reported in a governmental fund.

**Nonspendable Fund Balance** - amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently nonspendable, such as, but not limited to, inventories, prepaid items, and long-term receivables.

**Restricted Fund Balance** - amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance** - amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the City Council of the City of North St. Paul and that remain binding unless removed by the City Council of the City of North St. Paul by subsequent formal action. The formal action to commit a fund balance must occur prior to December 31st; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.

**Assigned Fund Balance** - amounts are comprised of unrestricted funds constrained by the City of North St. Paul's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the City of North St. Paul's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

**Unassigned Fund Balance** - residual amounts in the General Fund not reported in any other classification. Unassigned amounts in the General Fund are technically available for expenditure for any purpose. Unassigned fund balance will occur only in the General Fund or in other funds when there is a negative fund balance that cannot be eliminated by reducing restricted, committed or assigned fund balances.

## **DEFINITIONS-GOVERNMENTAL FUNDS**

### **General Fund**

The General Fund is established to account for all revenues and expenditures which are not required to be accounted for in other funds. Revenue sources include property taxes, license and permit fees, fines and forfeits, program revenues, intergovernmental revenues, investment interest earnings, and transfers. The General Fund's resources finance a wide range of functions including the operations of general government, public safety, and public works, and parks and recreation.

The General Fund may have committed fund balances at year end for budget carryovers. The General Fund may have a portion of its fund balance classified as nonspendable if there are long term receivables, inventories, or prepaid items on the balance sheet.

### **Special Revenue Funds**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Governmental accountings standards require that substantial inflows of revenues into a special revenue fund be either restricted or committed in order for the fund to be considered a special revenue fund.

### **Debt Service Funds**

Active Debt Service Funds with outstanding debt are considered restricted; they include resources that are being accumulated for payments of principal and interest maturing in current and future years. All of the City of North St. Paul's debt service funds are considered restricted.

Closed Debt Service Fund balances are considered assigned fund balances and are used to cover deficits in other active debt service funds.

### **Capital Project Funds**

Capital project fund balances are resources that are being accumulated for current and future projects and are considered either restricted or assigned fund balances. Capital project funds are used for and report financial resources that are restricted to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

## **CLASSIFICATION OF FUND BALANCES**

The City of North St. Paul shall classify its fund balances in its various funds in one or more of the following five classifications: non-spendable, restricted, committed, assigned, and unassigned.

For the City's General Fund, it is the City's policy to spend the most restricted dollars before less restricted dollars in the following order:

- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance

## **MINIMUM FUND BALANCE AND RESERVES**

### **General Fund Working Capital**

The City of North St. Paul will strive to maintain a minimum unassigned General Fund balance of 35 percent of the subsequent years budgeted expenditures for working capital, which will avoid issuing short-term debt to meet the cash flow needs of the current operating budget during the time between significant collection of major revenue sources such as property taxes. The City Council shall approve any transfer of excess fund balance in the subsequent year.

In the event the unassigned General Fund balance will be calculated to be less than the minimum requirement at the completion of any fiscal year, the City will attempt to replenish the General Fund to the above range of percentages.

### **Special Revenue and Capital Project Fund**

The City will maintain reserves in the Special Revenue and Capital Funds at a level sufficient to provide working capital for current expenditure needs plus an amount of cash that is estimated to be needed to meet legal restrictions and pay for future capital projects.

### **Enterprise and Internal Service Funds**

The City will maintain reserves in Enterprise Funds at a level sufficient to provide adequate working capital for current expenditure needs, replacement of capital assets within the fund over their estimated useful life, and to pay for future capital projects.

The City Council will annually review the adequacy of all reserve balances.

Judicious use of reserves within funds can be used to moderate fluctuations in capital projects and infrastructure maintenance expenses.

### **ORDER OF RESOURCE USE**

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order (first to last): restricted, committed, assigned, and unassigned.

### **COMMITTING FUND BALANCE**

A majority vote of the City Council is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the City Council.

### **ASSIGNING FUND BALANCE**

The City Council also delegates the power to assign fund balances to the City Manager and/or Finance Director.

### **REVIEW**

The City Council will conduct an annual review of the sufficiency of the minimum unassigned General Fund balance level.