

**CITY OF MT. PLEASANT**  
**FUND BALANCE POLICY**  
**GOVERNMENTAL FUNDS**  
**(GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECTS)**

**Objective**

The City of Mt. Pleasant's primary financial objective is to maintain the fiscal stability of the organization. Having adequate financial resources will enable the City to achieve this objective and its mission of serving the citizens of Mt. Pleasant.

**Purpose**

In July of 1993 a "Fund Balance and Working Capital Policy" was adopted for all City funds and amended in April 2003. Effective December 31, 2011, the City will be required to comply with Governmental Standards Board (GASB) # 54," Fund Balance Reporting and Governmental Fund Type Definitions". This statement includes new classifications of fund balance. This policy will replace the fund balance portion of the current policy to include new classifications as required by GASB #54.

**Policy**

Fund balance is created from excess revenue over expenditures. It is the balance of assets in excess of liabilities, unless otherwise restricted, available for spending. Following are the five components of fund balance.

1. **Nonspendable Fund Balance** – This portion of fund balance is *nonspendable* because of the related asset's form. The assets are either (a) not in spendable form, for example inventory or (b) legally or contractually required to be maintained intact.
2. **Restricted Fund Balance** – This portion of fund balance is *restricted* due to external limitations placed on the use of the related assets. The limitations on the use of the related assets in this component of fund balance are legally enforceable.
3. **Committed Fund Balance** – This portion of fund balance is *committed* due to limitations placed on the use of the related asset by formal action of the City Commission prior to the end of the fiscal year. The limitations remain binding until the City Commission takes formal action to remove applicable limitations.

4. **Assigned Fund Balance** – This portion of fund balance is *assigned* to reflect the intended use of the related assets. The assignment of funds may come from the City Commission or the Finance Director and can be done after the end of the fiscal year. The Finance Director shall have the authority to assign fund balance after year end for the current year budgeted items that need to be re-appropriated in the following year. Less formality is needed to impose, remove or modify a constraint reflected in Assigned Fund Balance. No funds other than the General Fund may have Unassigned Fund Balance, therefore any amounts remaining in excess of Nonspendable, Restricted or Committed fund in funds other than the General Fund will automatically be reported as Assigned Fund Balance. If any portion of existing fund balance will be used to balance expenditures in excess of revenue in the subsequent year's budget, this amount will also be categorized as Assigned Fund Balance.
5. **Unassigned Fund Balance** – The General Fund, and no other governmental fund, may have resources that cannot be classified in one of the four categories described above. Only the General Fund can report a surplus as an *Unassigned Fund Balance*.

### **Minimum Fund Balances**

The following minimum unrestricted fund balances shall be established. Unrestricted fund balance consists of Committed, Assigned and Unassigned Fund Balance.

- **General Fund** – The minimum unrestricted fund balance shall be 15% of the ongoing annual budget plus the amount assigned or committed for specific future projects/programs.
- **Special Revenue Funds** - The minimum unrestricted fund balance, except Major and Local Street funds that only have restricted fund balance, shall be 10% of the ongoing annual budget.
- **Debt Service Funds** – The minimum unrestricted fund balance shall be equal to the minimum balance required by the respective bond issue.
- **Capital Projects Funds** – The minimum unrestricted fund balance shall be large enough to provide for the anticipated capital expenditure(s).

### **Annual Review**

Compliance with the provisions of this policy shall be reviewed annually as part of the annual budget adoption process.

Adopted: November 14, 2011