
Subject: Water/Sewer Fund Balance Policy

Policy No.: 800-0006

Effective Date: 5/21/2018

1.1.0 Introduction

The Council recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the City and is fiscally advantageous for both the City and its taxpayers. This policy establishes goals and provides guidance concerning the desired level of fund balance maintained by the City to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances

2.1.0 Definitions and Classifications

Fund Balance is a term used to describe the net assets of government funds. IT is calculated as the difference between the assets and liabilities reported in a governmental fund.

Governmental fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those fund can be spent. The five classifications of fund balance applicable to the General Fund are defined as follows.

Restricted Fund Balance Components:

- 1) **Non-spendable fund balance** – amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
- 2) **Restricted fund balance** – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).

Unrestricted Fund Balance Components:

- 3) **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the Council's commitment in connection with future construction projects).

- 4) **Assigned fund balance** – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the Council or by a designee to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) **Unassigned fund balance** – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

3.1.0 Policy

It is the policy of the City of Woodstock, Georgia to maintain a minimum unassigned fund balance in the Water Sewer Fund of 33% of Water Sewer Fund revenues measured on a Generally Accepted Accounting Principles (GAAP) basis. In the event that the unassigned fund balance drops below this minimum level, the City will develop a restoration plan, implemented through the annual budgetary process, to bring the balance back to the target level.

Additionally, it is the policy of the City of Woodstock, Georgia to maintain a minimum of 33% cash reserves of Water Sewer Fund revenues measured on a Generally Accepted Accounting Principles (GAAP) basis. This cash reserve target is part of the City's goal to accumulate unrestricted funds for operational emergencies.

4.1.0 Policy Administration

Annually, during the Comprehensive Annual Financial Report (CAFR) presentation, the External Auditor or Finance Director shall report the City's fund balance and the classification of the various components in accordance with GAAP and this policy.