

City of Coppell, Texas

Fund Balance Policy

1. Purpose

The purpose of this policy is to establish a key element of the financial stability of the City by setting guidelines and parameters for fund balance of the various funds used by the City of Coppell. Unassigned fund balance is an important measure of economic stability. It is essential that the City maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. Advantages of a fund balance policy are as follows:

- Enhances the quality of decisions by imposing order and discipline
- Promotes consistency and continuity in decision making
- Demonstrates a commitment to long term financial planning objectives

2. Definitions

Fund Equity – A fund’s equity is generally the difference between its assets and its liabilities.

Fund Balance – An accounting distinction is made between the portions of fund equity that are spendable and nonspendable. These are broken up into five categories:

1. **Nonspendable Fund Balance** – includes amounts that are not in spendable form or are required to be maintained intact.
2. **Restricted Fund Balance** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation.
3. **Committed Fund Balance** – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
4. **Assigned Fund Balance** – comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which 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 the resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
5. **Unassigned Fund Balance** – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

3. Policy Statement

Committed Fund Balance

The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an ordinance or resolution approved by the Council at the City's Council meeting. The ordinance or resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance

The City Council has authorized the City Manager or Director of Finance as the officials authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Unassigned Fund Balance

The unassigned fund balance for the General Fund of the City of Coppell will be maintained at a level sufficient to provide the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment to changes resulting from fluctuation of revenue sources.

4. Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

5. Funding Levels

The City establishes the following funding levels concerning fund balances in the various funds used by the City of Coppell:

- The annual budget shall be presented to Council, with each fund reflecting **minimum** ending funds balances as follows:

General Fund	10% of the next years budgeted expenditures as required by City Charter, plus 15%. (Approximately 60 to 90 days). For undesignated fund balance, the target is no less than 50% of budgeted expenditures.
Debt Service Funds	An amount of one (1) month of next years budget for principal and interest
Water and Sewer Fund	180 days of expenditures
Self Insurance Fund	Maintained at a level equal to the average of: - 35% of the following years budgeted claims as provided by the City's benefit consultant, and - the average of six months of actual claims based on the most recent 24-month period.
Cemetery Fund	60 days of expenditures
Crime Control Special Revenue Fund	25% of the next year's budgeted expenditures

Infrastructure Maintenance Fund	25% of the next year's budgeted revenues as it relates to sales tax.
Coppell Recreation Development Corp	25% of the next year's budgeted revenues.
Hotel Occupancy Tax	25% of the next year's budgeted revenues.
Drainage Utility District	25% of the next year's budgeted revenues.

- Fund balances, which exceed the minimum levels established for each of the funds, may be appropriated as shown in the Financial Projections section of the City of Coppell's Five Year Plan.
- Fund balances, which exceed the minimum levels established for each of the funds, may be appropriated for non-recurring capital projects or programs. The Council recognizes that any such funds should be appropriated for non-recurring expenditures as they represent prior year surpluses that may or may not materialize in subsequent fiscal years.
- The City of Coppell will exercise diligence in avoiding the appropriation of fund balance for recurring operating expenditures. In the event fund balance is appropriated for recurring operating expenditures to meet the needs of the community, the budget document shall include an explanation of the circumstances requiring the appropriation and the methods to be used to fund this operating expenditure in the future.

6. Monitoring and Reporting

The City Manager and the Director of Finance shall annually prepare a report documenting the status of the fund balances with this policy and present to the Council in conjunction with the presentation of the Comprehensive Annual Financial Report and also in conjunction with the development of the annual budget.

7. Replenishment

Should the fund balances fall below the targeted level, the Council must approve and adopt a plan to restore the balance to the targeted level within two (2) years. If restoration can not be accomplished within such period without severe hardship, then the Council will establish a different but reasonable time period.