

City of Trinity



Fund Balance Policy

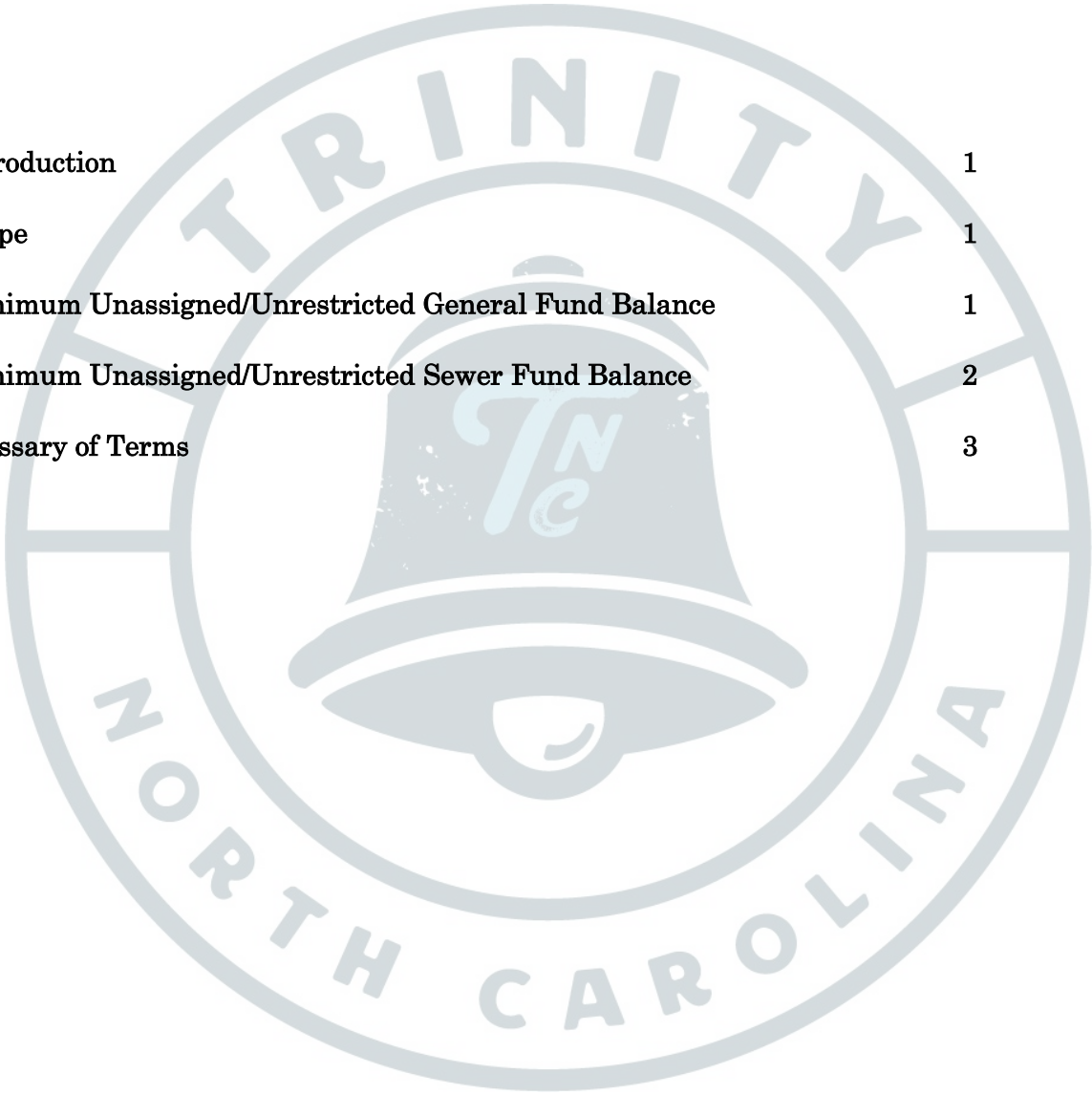
Adopted on May 12, 2025



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Introduction

Fund Balance is a fund accounting term to describe the difference between a fund's assets and liabilities. It is important for the City of Trinity to maintain a healthy fund balance for all funds. Fund balance is essential to the preservation of the financial integrity of the City and is fiscally advantageous for both the City and the 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.

Scope

The responsibility for designating funds to specific classifications shall be as follows:

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 a resolution approved by the City Council.

Assigned Fund Balance – The City Council has authorized the City Manager as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned/Unrestricted General Fund Balance

It is the goal of the City to achieve and maintain an unassigned/unrestricted fund balance in the General Fund at the fiscal year end of not less than 120% of the total expenditures. If the unassigned/unrestricted fund balance at fiscal year-end decreases below 120%, the City shall develop a restoration plan to achieve and maintain the minimum fund balance. For example, if our total expenditure at year-

end is \$3,800,000 then we should maintain \$4,560,000 or more in unassigned/unrestricted fund balance.

At the close of each fiscal year, a report on unassigned/unrestricted fund balance in the General Fund will be given to Trinity City Council. At this time, City Council may choose to transfer an agreed amount of excess fund balance above 120% of unassigned/unrestricted fund balance to the Governmental Capital Reserve Fund where these funds will be used to offset future property tax rate increases for capital improvement projects.

Minimum Unassigned/Unrestricted Sewer Fund Balance

It is the goal of the City to achieve and maintain an unassigned/unrestricted fund balance in the Sewer Fund at the fiscal year end of not less than 20% of the total expenditures. If the unassigned/unrestricted fund balance at fiscal year-end decreases below 20%, the City shall develop a restoration plan to achieve and maintain the minimum fund balance. For example, if our total expenditure at year-end is \$3,100,000 then we should maintain \$620,000 or more in unassigned/unrestricted fund balance.

At the close of each fiscal year, a report on unassigned/unrestricted fund balance in the Sewer Fund will be given to Trinity City Council. At this time, City Council may choose to transfer an agreed amount of excess fund balance above 20% of unassigned/unrestricted fund balance to the Sewer Capital Reserve Fund where these funds will be used to offset cost for capital improvement projects.



Glossary of Terms

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Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation

Unrestricted fund balance – amounts that can be utilized for general use, without legal or contractual restrictions.

Committed fund balance – amounts that can be used only for the specific purposes determined by a formal action of the City Council.

Assigned fund balance – amounts intended to be used by the government for specific purposes. Intent can be expressed by the City Council or by a designee to whom the governing body delegates the authority.

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.