

Village of Millbrook

Fund Balance Policy

Developed for GASB 54

Purpose

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

Definitions

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

GASB Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

- 1) **Nonspendable 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).
- 3) **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the Village Board of Trustees. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the board'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 Village Board of Trustees 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.

Policy

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

Committed Fund Balance – The Village Board of Trustees is the Village'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 Board.

Assigned Fund Balance – The Village Board of Trustees has authorized the Village Treasurer as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance

It is the goal of the Village to achieve and maintain a minimum unassigned fund balance in the general fund at fiscal year-end of 25% of the subsequent year's budgeted expenditures. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

Surplus Unassigned Fund Balance

Should unassigned fund balance of the general Fund exceed 25%, the Village will consider such Fund Balance as surplus for one-time expenditures that are non-recurring in nature, and which will not require continuing expense outlays.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure (e.g., a project is being funded partly by a grant, funds set aside by the Board, and unassigned fund balance), the Village will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Implementation and Review

Upon adoption of this policy the Village Board of Trustees authorizes the Village Treasurer to establish any standards and procedures which may be necessary for its implementation. The Village Treasurer shall review this policy annually and make any recommendations for changes to the Village Board.