

VILLAGE OF AVOCA

Fund Balance Policy

Developed for GASB 54

Purpose

The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Village and is fiscally advantageous for both the Village and the taxpayer. This policy will ensure that the Village maintains adequate fund balances and reserves in order to:

- Provide sufficient cash flow for daily needs,
- Secure and maintain investment grade bond ratings if necessary),
- Offset significant economic downturns or revenue shortfalls, and
- Provide funds for unforeseen expenditures related to emergencies.

Definitions

Fund Balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund. The following definitions will be used in reporting activity in governmental funds. The Village may or may not report all fund types in any given reporting period based on actual circumstances and activity.

The General Fund is used for all financial resources not accounted for and reported in another fund.

The Water Fund is used for all financial resources related to the Village water Department.

Special Funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. This includes the Cemetery Fund and the Grant 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:

- **Non-spendable fund balance** – includes amounts that cannot be spent because they are either (a) not in spendable form (inventory) or (b) legally or contractually required to be maintained in-tact.
- **Restricted fund balance** – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- **Committed fund balance** – Includes amounts that can be used only for the specific purposes determined by a formal action of the Village Board of Trustees.
- **Assigned fund balance** – includes amounts intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund or highway funds,

assigned balance represents the remaining amount that is not restricted or committed. .

- **Unassigned fund balance** – includes the residual classification for the Village’s general &/or highway funds and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Policy

- This policy shall apply to the Village’s General Fund and Water Fund.
- When resources are available from multiple classifications, the Village spends funds in the following order: restricted, committed, assigned, unassigned.
- The Avoca Village Board of Trustees is the decision-making authority that can commit fund balance. The action to commit fund balance must occur prior to the fiscal year end in order to report such commitments in the financial statements of the respective period. The commitment may only be modified by the resolution authorized by the Village Board of Trustees.
- The Mayor and/or Village Clerk/Treasurer have the authority to assign unrestricted fund balance amounts where the Village’s intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.
- Unexpended Surplus Funds:
 - For the purpose of this policy, unexpended surplus funds consist of Assigned Un-appropriated Fund Balance and Unassigned Fund Balance.
 - The Village shall strive to maintain unexpended surplus funds of not less than 15% and not more than 40% of General and Water Funds adopted budget appropriations, excluding inter-fund transfer for fringe benefits.
 - The Mayor and/or Village Clerk/Treasurer shall report the amount and percentage of applicable fund unexpended surplus funds to the Village Trustees upon completion of the Annual Update Document each year.
 - In the event that un-expended surplus funds exceeds 40% of adopted budget appropriations, the excess may be utilized for any lawful purpose approved by the Village Board of Trustees. In order to minimize the long term effect of such use, the excess should be appropriated to fund one-time expenditures which do not result in recurring operating costs, and/or be used to establish or increase reserves.
 - In the event that un-expended surplus funds fall below 15% of adopted budget appropriations, the Budget Officer shall make a recommendation to the Village Board of Trustees to restore the balance to the minimum level in the next budget year or other appropriate period of time.

Review

This policy shall be reviewed by the Village Board of Trustees on an annual basis.

This policy stands adopted by the Avoca Village Board of Trustees on _____.

