

ORROCK TOWNSHIP FUND BALANCE POLICY

I. Purpose

The board of supervisors of Orrock Township recognizes that it is important to establish sound financial management policies to ensure financial stability of the township. Fund balance reserves are an important component in maintaining the overall financial health of the township by ensuring that the township has sufficient funds to meet contingency and cash-flow timing needs on an ongoing basis.

II. Funds

Orrock Township manages its financial resources by maintaining the types of funds described below.

Unrestricted funds

Unrestricted committed funds. These are amounts that can only be used for specific purposes pursuant to constraints imposed by the township board through resolution or other board action. The committed amounts cannot be used for any other purpose unless the board of supervisors removes or changes the specified use by taking the same type of action it employed to commit those amounts.

Orrock Township's committed funds include:

Road and Bridge Fund: This fund accounts for activity related to town roads and rights-of-way.

Note: Restricted funds are funds that are subject to enforceable legal restrictions. From time to time the town's Road and Bridge fund may receive specific grants from the state or other governmental entities that may only be used for road and bridge purposes and may not be allocated to other purposes, even by board action. It is the town's policy to treat these restricted road and bridge funds as used before any unrestricted money is used.

Fire Fund: This fund accounts for costs associated with fire protection.

Capital Improvements Fund: This fund exists to support capital improvements. It may also be allocated by the town board for other unexpected needs.

Unrestricted assigned funds. Unrestricted assigned funds are amounts that are constrained by the Township's intent to be used for specific purposes but are neither restricted nor committed. Amounts adopted in the general fund budget each fiscal year are unrestricted assigned funds.

General Fund: To the extent that the town board has adopted a budget for the General Fund, amounts so budgeted are unrestricted assigned funds.

Unassigned funds. Unassigned funds are the residual amounts in the general fund not reported in any other classification and available for any purpose.

General Fund: This fund is the Township's primary operating fund. It accounts for all financial resources of the general Township, except those required to be accounted for in another fund. Amounts in the general fund that are not assigned through the budgeting process are unassigned funds.

Restricted funds. Restricted funds are amounts that are restricted to specific purposes either by A) constraints placed on the use of resources by granters, or laws, or regulations of other governments or B) imposed by law. When amounts are received that are restricted, a separate fund will be established in the township's accounting system to account for those amounts. An example would include grants from the State Parks Roads improvement program, in which grants may be made for specific parks roads projects.

III. Policy

Orrock Township will maintain an unassigned general fund balance of not less than fifty percent of budgeted operating expenditures. However, this amount may fluctuate based on the timing of ad valorem tax receipts, with the goal being that a fifty percent cushion is maintained across fiscal years.

Annual proposed general fund budgets must be designed to facilitate this policy. The Board shall review the amounts in the general fund balance in conjunction with the annual budget approval process and make adjustments as necessary to meet expected cash-flow needs.

In the event the unassigned general fund balance is calculated to be less than the minimum requirement at the completion of any fiscal year, the township will adjust budget resources in the subsequent fiscal years to bring the fund balance into compliance with this policy.

When both restricted and unrestricted resources are available for use, it is the entity's policy to first use restricted resources and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the entity's policy to use resources in the following order: 1) committed; 2) assigned; and 3) unassigned.

IV. Adoption and review of policy

The Board will periodically review this policy, taking into consideration any changing conditions in the Town's circumstances.

Approved and Adopted by the Orrock Town Board, this 25th day of June 2025.

Anne Felber, Chair

Shelley Erickson, Clerk