

Ordinance No. 12-829

FUND BALANCE POLICY

This Policy establishes guidelines to be used during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. The Policy is based upon a long-term perspective with a commitment to keeping the Village in a strong fiscal position that will allow it to better weather negative economic trends.

Background

Effective with fiscal year 2010-2011, Statement No. 54 of the Governmental Accounting Standards Board (GASB 54) establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances and clarifies definitions for governmental fund types. Certain elements critical to such classification should be established by Board policy.

GASB 54 establishes five fund balance categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the Village's highest level of decision making authority. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the Village's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

Actions Leading to Restricted, Committed, and Assigned Fund Balances

For committed fund balances (as defined in GASB 54), the Village's highest level of decision making authority is the Board of Trustees. Restrictions are authorized by the Board based on fund placement in the original adopted and later revised budget, as well as by Board resolution. Upon adoption of a budget where fund balance is used as a source to balance the budget, the Chief Financial Officer (Village Clerk) shall record the amount as Assigned Fund Balance.

Further, the Board delegates the authority to assign amounts for specific purpose(s) to the Chief Financial Officer.

Order of Spending

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

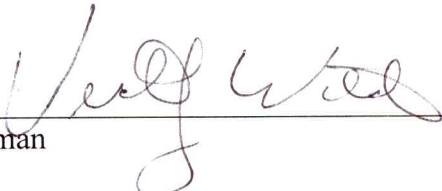
For the Debt Service Fund, the Board considers unrestricted (assigned) balances to be spent prior to restricted balances.

It is expected that spending will be classified by identification of remaining fund balances, rather than classifying expenditures during the year.

Governmental Fund Types

The Village maintains a restricted fund for income and expenditures related to the Village water and sewer systems. The Village also maintains a general fund for all other income and expenditures. Special funds may also be established from time to time for special projects or purposes.

Publicly read and passed by a majority vote of the Board of Trustees this 12th day of March, 2012. Ordinance shall be effective retroactively to the year end 12/31/2011.



Chairman

ATTEST:



City Clerk