

## **TOWN OF WATERFORD FUND BALANCE POLICY**

### **OBJECTIVE**

The Town of Waterford feels it necessary to maintain an adequate unrestricted fund balance in the General Fund to provide for a sound financial base for current and future budgets as well as mitigating risks such as revenue shortfalls or unexpected expenditures. An adequate level of unrestricted fund balance will also assist the Town in maintaining its bond rating.

### **DISCUSSION**

Waterford recognizes the new Fund Balance components below in accordance with Government Accounting Standards Board (GASB) Pronouncement #54.

- Non Spendable Fund Balance-Amounts that cannot be spent because they are either:
  - Not in a spendable form such as long-term receivables, inventory, or prepaid expenses.
  - Legally or contractually required to be maintained intact, such as an endowment fund
- Restricted Fund Balance - Amounts that have legally enforceable constraints placed on their use by external parties or external laws and regulations.
- Committed Fund Balance -Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (RTM)
- Assigned Fund Balance - Amounts intended to be used for specific purposes, but are neither restricted nor committed
- Unassigned Fund Balance-Amounts that do not fall within any other classification.

### **POLICY**

The Town will maintain an unassigned fund balance as of June 30th of each year between 10% and 13% of the subsequent fiscal years budgeted General Fund revenue.

The use of General Fund Unassigned Fund balance in excess of the maximum level shall be limited to one-time, non-recurring purposes. Examples include Capital Projects, transfer to Capital Non-recurring fund, emergency/storm response, debt service mitigation, land acquisition, and other one-time, nonrecurring uses determined to be in the best financial interest of the Town.

The General Fund Unassigned Fund Balance may be appropriated as authorized by the RTM upon approval by the Board of Finance.

General Fund Unassigned Fund Balance in excess of the maximum level will not be allocated to ongoing operations to avoid a revenue gap in subsequent budget years.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

If Unassigned Fund Balance falls below the minimum level, the Board of Finance will propose a plan to restore it to the minimum 10% level within three years.

ADOPTED: November 18, 2015