

## FUND BALANCE POLICY

### 1. **Purpose:**

The Fund Balance Policy is intended to provide guidelines during the preparation and execution of the annual budget. It defines and states the authority necessary for use of the five categories of fund balance. It specifies the order of spending when more than one category of fund balance is assigned to a project. Finally, the Fund Balance Policy sets guidelines regarding the unassigned fund balance. The Fund Balance Policy applies to the Fund Balances in all Town of Williston Funds: general fund, special revenue funds and capital funds.

### 2. **Definitions:**

The Fund Balance consists of five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

2.1. **Nonspendable Fund Balance** consists of funds that cannot be spent due to their form (e.g. inventories and expenses paid in advance of the applicable fiscal year) or funds that legally or contractually must be maintained intact (e.g. cemetery endowments.)

2.2. **Restricted Fund Balance** consists of funds that are mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation. (e.g. grants, impact fees.)

2.3. **Committed Fund Balance** consists of funds that are set aside for a specific purpose by the voters of the Town of Williston. (e.g. a ballot article for a capital project which sets aside funds for a specific project. Often these also include a borrowing authorization.) Only the voters have the authority to remove or change the limitation placed on the funds.

2.4. **Assigned Fund Balance** consists of funds that are set aside with the intent to be used for a specific purpose by the Selectboard of the Town of Williston. (e.g. monies set aside for capital projects authorized in the operating budget.) Assigned funds cannot cause a deficit in the unassigned fund balance.

2.5. **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.

2.6. **Unrestricted Fund Balance** consists of funds that are considered as part of the Committed Fund Balance, Assigned Fund Balance or Unassigned Fund Balance.

### 3. **Authorizations:**

#### 3.1. **Authority to Commit Funds**

The voters of the Town of Williston have the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of an

article consistent with the provisions of the Town Charter prior to the expenditure of funds. The passage of an article must take place prior to June 30<sup>th</sup> of the applicable fiscal year.

### **3.2. Authority to Assign Funds**

The Selectboard of the Town of Williston has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

## **4. Order of Use of Restricted and Unrestricted Funds**

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

## **5. Unassigned Fund Balance**

- 5.1. The general fund is the only fund with an unassigned fund balance. A minimum unassigned fund balance is established to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. The minimum fund balance is also intended to preserve flexibility in cash flows throughout the fiscal year and to eliminate the need for short term borrowing.
- 5.2. Unassigned Fund Balance is the residual amount in the General Fund. It represents the resources available for future spending
- 5.3. The Selectboard shall propose a budget that provides for an unassigned fund balance of not less than ten percent nor more than twenty percent of the total operating general fund and highway expenditures.
- 5.4. If, at the end of the fiscal year, the fund balance falls below ten percent, the Town Manager shall prepare and submit a plan for expenditure reductions and/or revenue increases to the Selectboard. The Selectboard shall take action necessary to restore the unassigned fund balance to acceptable levels within one year.
- 5.5. In the event the fund balance is greater than twenty percent at the end of any fiscal year, the excess may be used in one or a combination of the following ways provided that approvals for such use are obtained as required by this policy and Town Charter:
  - One-time costs, or the establishment of or increase in a legitimate commitment or assignment of fund balance
  - Reduce the tax rate provided that care is taken to avoid a major fluctuation in the tax rate in succeeding years.

**6. Reporting**

It is the responsibility of the Finance Director to report all Funds types appropriately in the Town of Williston Financial Statements.

Adopted by the Selectboard on June 27, 2011

**Williston Selectboard**

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