

Village of Round Lake  
New York

<p>Title:</p> <p style="text-align: center;"><b>FUND BALANCE POLICY</b></p>	<p>Policy No.</p> <hr/> <p>Adopted: (Date) May 16, 2018 Re-Adopted 02 17 21 Revisions:</p>
<p>Author:</p> <p style="text-align: center;">Village Treasurer</p>	
<p>Policy Owner:</p> <p style="text-align: center;">Budget Officer.</p>	
<p>Distribution:</p> <p style="text-align: center;">Village Board, Village Attorney, Office Administration, Staff, Policy File</p>	

**Policy Statement:** The purpose of this policy is to enhance long-term financial planning and mitigate the risks associated with changes in revenues due to economic and local market conditions. These policies also aim to assist in the allocation of sufficient monies for the purchase of capital equipment, construction of capital improvements, and unanticipated expenditures that may occur. Unrestricted reserve balances may be utilized for emergency expenditures, annual budget shortfalls or other approved capital projects.

**Definitions:**

**Governmental Accounting Standards Board (GASB) No. 54 Requirements:** Fund balance is the difference between assets and liabilities in a Governmental Fund. In the past, fund balance classifications were “reserved for specific purposes” or “unreserved”, meaning that funds could be spent as the Village saw fit. With Statement No 54, the new fund classifications are as follows:

- (a) **Non-spendable Fund Balance.** These balances would represent amounts that cannot be spent as they are either not in spendable form (*not expected to be converted to cash*) or must be legally or contractually required to be maintained intact. Also included in this classification would be prepaid items, long-term portions of notes receivable, advance to other funds, and land/assets held for resale.
- (b) **Restricted.** Amounts are considered restricted when constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or laws with constitutional provisions or enabling legislation. Enabling legislation authorized the government to assess, levy, change or mandate payment of resources (*from outside resource providers*) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated by legislation. Legal enforceability means that a government can be compelled by an external party (*citizens, public interest groups, or*

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*judicial groups*) to use resources created by enabling legislation only for the purpose specified by the legislation. Examples of such funds include grant funds, and specifically levied for property tax (*pensions, debt service, etc*).

- (c) **Contingent.** Amounts that are used for specific purposes are imposed by constraints of the local governments level of decision making authority. For the Village, this would mean any amounts that are committed by resolution by the Village Board of Trustees. This type of classification would mean that the amounts cannot be used for any other purpose unless the Village Board of Trustees removes or changes the intended use of the funds through Resolution. Examples of such funds may be capital projects or any other programs that were approved by the Village Board of Trustees.
- (d) **Appropriated.** Amounts that are constrained by the Village’s intent to be used for specific purposes, but are neither Restricted nor Contingent, should be reported as Appropriated Fund Balance. The intent of such funds would be determined by the Village Treasurer upon review and approval by the Village Budget Officer (*see delegation to assigned fund balance below*). The constraints imposed on the use of appropriated amounts are more easily removed or modified than those imposed on amounts classified as Contingent. Appropriated funds would include all remaining amounts reported in governmental funds, other than the general fund that are not already classified as Non-spendable, Restricted, or Contingent. Appropriated funds also include amounts in the general fund intended to be used for a specific purpose with less restriction that implied by the Restricted or Contingent classification. Appropriations however, cannot cause a fund to report a negative fund balance. Appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget in an amount no greater than the projected excess of expected expenditures, over expected revenues satisfies the criteria to be classified as an appropriation of fund balance as long as it does not cause a negative fund balance. Therefore, this would be the classification of fund balance amounts that would be for a specific purpose, but are not restricted by legislation or committed by the Village Board of Trustees.
- (e) **Unappropriated.** This is the residual fund balance amount in the general fund for amounts not Restricted, Contingent, or Appropriated to specific functions within the fund. The general fund balance will be the only fund that will be able to report positive unappropriated fund balance amounts. If expenditures incurred in other governmental funds exceed the amounts of Restricted, Contingent, or Appropriated classifications, it may be necessary at that time to report a negative Unappropriated Fund balance in the fund.

Classification	Definition	Examples
Non-spendable	Amounts that cannot be spent because they are either (a) not in spendable	Inventories; prepaid items; long-term

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	form, or (b) legally or contractually required to be maintained intact.	receivables; permanent endowments
Restricted	Resources that are subject to specific restraints imposed by external parties or enabling legislation.	State statute restrictions; unspent bond proceeds; grants earned, but not spent; debt covenants; taxes dedicated to a specific purpose; revenues restricted by enabling legislation
<b>Unrestricted</b>		
Contingent	Amounts constrained for specific purposes by Village Board of Trustees through formal resolution	Amounts Village Board of Trustees set aside by resolution
Appropriated	Amounts that are constrained by the Village to be used for specific purposes, but are neither restricted nor contingent	Village Board of Trustees delegates the authority to assign fund balance to the Village Treasurer with review and approval of Village Budget Officer
Unappropriated	Unassigned fund balance is the residual classification for general fund. This is fund balance that has not been reported in any other fund that can report a positive unassigned fund balance. Other governmental funds would report deficit fund balance as unassigned.	Available and expendable for any general fund purpose

**Guidelines:**

**Delegation to Assign Fund Balance.** The responsibility to assign fund balances that are not already identified as Non-spendable, Restricted, Contingent, or Unappropriated will

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be delegated to the Village Treasurer with the review and approval of the Village Mayor/Budget Officer. The intent for such amounts to be used for specific purposes will be communicated by the Village Mayor to the Village Treasurer so that a full understanding of the assignment is communicated in preparing prior reporting.

**Cash Flow Commitment (fund balance).** The Village of Round Lake policy is to maintain a committed fund balance within the General Fund, Water Fund, and Sewer Fund as follows:

- (a) **General Fund** – The Village of Round Lake will strive to maintain a committed fund balance in the General Fund sufficient to fund the Village’s operations for a period of six months. The cash flow commitment in the General Fund is adjusted annually with the adoption of the annual budget and is calculated as six months’ worth of general fund operating expenditures, excluding capital improvements budgeted for that fiscal year.
- (b) **Water Fund** – The Village of Round Lake will strive to maintain a Committed Fund Balance in the Water Fund sufficient to fund the Village’s operations for a period of three months. The Cash Flow Commitment in the Water Fund is adjusted annually with the adoption of the annual budget and is calculated as three months’ worth of the water fund operating expenditures excluding capital improvements budgeted for that fiscal year.
- (c) **Sewer Fund** – The Village of Round Lake will strive to maintain a Committed Fund Balance in the Sewer Fund sufficient to fund the Villages operations for a period of three months. The Cash Flow Commitment in the Sewer Fund is adjusted annually with the adoption of the annual budget and is calculated as three months’ worth of the sewer fund operating expenditures excluding capital improvements budgeted for that fiscal year.
- (d) **Use of Economic Stabilization Arrangements** – In emergency situations or when revenue shortages or budgetary imbalances arise, formal action is needed to identify and describe the special circumstances. Such circumstances should not be routine. If an emergency situation arises, the policy to retain six months of operating expenses within the general fund would need to be waived by formal action of the Board of Trustees.
- (e) **Application of Funds** – In instances where expenditures are incurred that will require the funding sources to be comprised of two or more types of fund balance categories, the order of exhaustion of the funds will be as follows:
  - i. Restricted
  - ii. Contingent
  - iii. Appropriated
  - iv. Unappropriated

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Notice that the non-spendable category is not mentioned above as those balances are strictly representative of asset balances that are to serve a future interest for the Village as a result of prior cash disbursement.

- (f) **Amendment of Policy** – This policy may be amended from time to time according to the discretion of the Village of Round Lake Board of Trustees.

**Regulations:** GASB No. 54