

## Centerville Township Fund Balance Policy

January 9, 2019

The Centerville Township Board believes that sound financial management principles require that sufficient funds be retained by the township to provide a stable financial base at all times. In order to do so, the Township needs to maintain a fund balance sufficient to fund all cash flows of the Township, to provide for anticipated capital expenditures, unanticipated one-time expenditures, revenue shortfalls, and emergency needs.

**Purpose:** The purpose of this policy is to identify the size and composition of the Township's desired fund balance for governmental funds and to identify certain requirements for classifying fund balance in accordance with Governmental Standards Board Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

### Policy

1. **Classifications** The following components shall constitute the fund balance for all of the Township's governmental funds.

Classification	Definition	Example
<b>Non spendable</b>	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in tact.	<ul style="list-style-type: none"> <li>• Inventories</li> <li>• Prepaid items</li> <li>• Long term receivables</li> </ul>
<b>Restricted</b>	Amounts are restricted when constraints on the use of the funds are either: <ol style="list-style-type: none"> <li>1. Externally imposed by creditors, granters, contributors, or laws or regulations of other governments, or</li> <li>2. Imposed by law through constitutional provisions or enabling legislation.</li> </ol>	<ul style="list-style-type: none"> <li>• Restricted by state statute</li> <li>• Unspent bond proceeds</li> <li>• Grants earned but not spent</li> <li>• Taxes dedicated to a specific purpose</li> <li>• Revenues restricted by enabling legislation</li> </ul>
<b>Unrestricted</b>		
<b>Committed</b>	Used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. To be classified as committed, formal action must be taken by the township board prior to March 31 <sup>st</sup> of that fiscal year.	<ul style="list-style-type: none"> <li>• Amounts township sets aside by resolution</li> </ul>
<b>Assigned</b>	Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The authority to assign funds can be delegated to a township manager.	<ul style="list-style-type: none"> <li>• Anticipated road improvements</li> <li>• Planned for capital expenditures</li> </ul>
<b>Unassigned</b>	This is the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other governmental funds would report deficit fund balances as unassigned.	<ul style="list-style-type: none"> <li>• Funds held to assure liquidity</li> </ul>

## Centerville Township Fund Balance Policy 01/10/18 (continued)

### 2. Fund Balance Decisions

1. **Committing Fund Balance** In order to commit fund balance, the Township Board must pass a resolution to commit funds for a specific purpose. These funds must be fully expended for their committed purpose. To make committed funds uncommitted, a new resolution must be passed by the Board. Action must be taken before the last day of the fiscal year to commit funds for that year.
2. **Assigning Fund Balance** the Township Board may assign fund balance through consensus or motion. The Township Board may also delegate the authority to assign fund balance to a designee.

### 3. Levels of Fund Balance

The township will establish and maintain levels of fund balance for the General Fund as follows:

1. The goal of the Township Board shall be to maintain an unassigned fund balance of no more than 50% of expenditures at the beginning of the Fiscal Year (April 1) and no less than 15% of expenditures on November 30 of the Fiscal Year. For the purposes of this calculation, “expenditures” will be the annual budgeted expenditures amount less non-recurring capital expenditures.
2. Assigned fund balances will be maintained to stabilize the recurring expenditures experienced by the Township and to address significant individual projects
  1. Funds to cover two (2) years of road expenditures based on planned road projects
  2. Funds to stabilize disbursements to the Cedar Area Fire and Rescue Board based on 50% of the township's annual support liability.
  3. Funds to cover specified projects beyond the scope of annual budget revenues and expenditures.
4. **Review of the Fund Balance** Fund balance levels will be reviewed annually following the financial statement audit. Both the levels and the policy can be adjusted or amended at that time.