

TOWN OF SEVASTOPOL  
Door County, Wisconsin

*Resolution No. 03 - 2013 TB*  
*"Resolution Establishing a Fund Balance Policy*  
*as Required by GASB Statement No. 54"*

To the Sevastopol Town Board of Supervisors:

**WHEREAS**, the Government Accounting Standards Board ("GASB") has adopted Statement No. 54, a standard for governmental fund balance reporting and governmental fund type definitions; and

**WHEREAS**, the auditing firm of Schenk, S.C., certified public accountants, upon completion of the audit of the basic financial statements of the Town of Sevastopol ("Town") for the year ended December 31, 2012, recommends that the Town consider adopting a "fund balance" policy; and

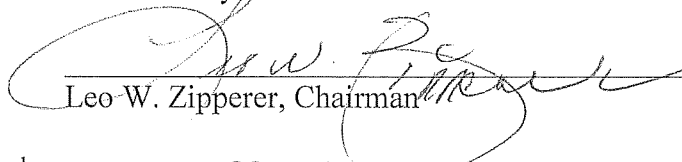
**WHEREAS**, the purpose of such "fund policy" would serve as a framework for consistent operations and appropriate reporting as to non-spendable, spendable, restricted, committed, assigned and unassigned fund balances, improve the financial management of the Town, and provide stability and consistency through change and turnover of elected officials;

**NOW, THEREFORE, BE IT RESOLVED**, that the Town hereby adopts the attached "Fund Balance Policy in Accordance with GASB #54," and specifically that the Town will maintain a minimum unassigned general fund balance of fifteen percent (15%) of actual current year general fund expenditures, not including debt service; and

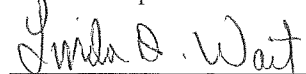
**BE IT FURTHER RESOLVED**, that should the unassigned general fund balance fall below the minimum fifteen percent (15%) range, the Town will replenish shortages/deficiencies using appropriate budget strategies; and

**BE IT FURTHER RESOLVED**, that an annual reporting of fund balances as classified in accordance with GASB 54 shall be included in the annual audited financial statements of the Town.

Submitted by;

  
Leo W. Zipperer, Chairman

I, Linda D. Wait, Clerk of the Town of Sevastopol, certify that the above is a true and correct copy of a Resolution that was adopted on the 22<sup>nd</sup> day of April, 2013, by the Town of Sevastopol Board of Supervisors.

  
Linda D. Wait, Clerk  
Town of Sevastopol, Door County WI

Effective January 1, 2014

## FUND BALANCE POLICY IN ACCORDANCE WITH GASB #54

### Background

In February 2009, the Governmental Accounting Standards Board (GASB) issued *GASB #54 Fund Balance Reporting and Governmental Fund Type Definitions*. The statement substantially changes how fund balances are categorized. It clarifies/modified how some of the governmental funds are presented and classified.

This policy will provide a cross reference between the Pre-GASB #54 Fund Balance Classifications and the Post-GASB #54 Fund Balance Classifications.

### Fund Balance Classifications: Current and GASB #54

#### *Pre-GASB #54 Classifications of Fund Balance*

#### Post-GASB #54 Classifications of Fund Balance

<i>Reserved</i>	<i>Not available for appropriation</i>	
Non-spendable	Not available for spending, either now or in the future, because the amount is offset by assets that are not in a spendable form.	
<i>Designated</i>	<i>Available for appropriation but intended for a specific use</i>	
Restricted	Constraints on spending that are legally enforceable by outside parties (e.g., debt retirement).	
<i>Unrestricted</i>	<i>Designated</i>	<i>Not available for appropriation.</i>
	Committed	Constraints on spending that the government imposes upon itself by highest-level formal action prior to the close of the period.
<i>Unrestricted</i>	<i>Undesignated</i>	<i>Available for appropriation.</i>
	Assigned	Resources intended for spending for a purpose set by the governing body itself or by some person or body delegated to exercise such authority in accordance with policy established by the board.
<i>Unrestricted</i>	<i>Unassigned</i>	<i>Residual</i>
		(general fund only)

### Purpose

To provide a stable financial environment for the Town's operations that allows the Town to provide quality services to its residents in a fiscally responsible manner designed to keep services and taxes as consistent as possible over time. This fund balance policy is meant to serve as the framework upon which consistent operations may be built and sustained.

## Definitions and Policies

### 1. Fund Balance

Fund Balance is the difference between assets and liabilities in governmental funds (i.e. general fund, special revenue funds, capital project funds, debt service funds and permanent funds).

#### **NON-SPENDABLE FUND BALANCE**

Describes the amount of a fund balance that cannot be spent because it is either not in spendable form or there is a legal or contractual requirement for the funds to remain intact.

##### **Policy**

At the end of each fiscal year, the Town will report the portion of the fund balance that is not in spendable form as Non-spendable Fund Balance on the financial statements.

#### **SPENDABLE FUND BALANCE (OVERVIEW)**

Describes the amount of fund balance that is available for appropriation based on the constraints that control how specific amounts can be spent. Typically, a significant portion of a government's spendable resources can be spent only for specified purposes. The following categories define the revenue source and the level of force of the constraint on spending.

Categories should be supported by actual plans approved by either the governing body, an appropriate officer, grant providers or enabling legislation.

#### **Restricted Fund Balance**

The restricted fund balance category includes the portion of the *spendable fund balance* that reflects constraints on spending because of legal restrictions stipulated by *outside parties* or based on state statutes or grant requirements placed on the use for specific purposes.

##### **Policy**

At the end of each fiscal year, the Town will report "restricted" fund balances for amounts that have applicable legal restrictions per provisions of GASB #54. Normally, fund balances in debt service funds and capital project funds with remaining long-term debt proceeds will be reported as "restricted".

#### **Committed Fund Balance**

The committed fund balance classification includes the portion of the *spendable fund balance* that reflects constraints that the Town has *imposed upon itself* by a *formal action* of the Town Board (for example, an ordinance or resolution passed by a town board). This constraint must be imposed prior to year end, but the amount can be determined at a later date.

##### **Policy - General Fund Balances**

Prior to the end of each fiscal year, the Town will determine the specific purposes of "committed" fund balance. Any new specific purposes will be set forth in a Town Board resolution with the final amount being determined at or after year end. Specific purposes for committed fund balance approved in prior year resolutions will be carried forward until changed by a current year resolution.

In 2012, the Town has committed net unexpended budget appropriations of the general fund for the following purposes:

- Breakwall
- Revaluation
- Holding tanks
- Comprehensive planning

The committed amount at year end will be determined by taking the beginning of year committed amount and adding or subtracting any budgeted surplus from current year transactions. The funds will remain committed until spent or uncommitted by Town Board action.

### **Assigned Fund Balance**

The assigned fund balance is the portion of the spendable fund balance that reflects funds intended to be used by the government for specific purposes assigned by more informal operational plans.

#### **Policy**

The Town Board has not delegated the authority to assign fund balance to the Clerk-Treasurer or other specific official. Any assignment of fund balance will be made by the Town Board.

### **Unassigned**

This is the residual classification for the government's **General Fund** and includes all spendable amounts not contained in the other classifications and, therefore, not subject to any constraints. Unassigned amounts are available for any purpose. These are the current resources available for which there are no government self-imposed limitations or set spending plan. Although there is generally no set spending plan for the undesignated portion, there is a need to maintain a certain funding level. Undesignated fund balance is commonly used for emergency expenditures not previously considered. In addition, the resources classified as undesignated can be used to cover expenditures for revenues not yet received.

## **2. Flow of Funds**

The policy of the Town guiding the order of fund balance spend-down shall be as follows: 1) restricted, 2) committed, 3) assigned, and 4) unassigned. This order will be used for purposes of reporting fund balance.

## **3. Minimum Fund Balance**

In order to maintain sufficient cash reserves for working capital and emergency expenditures, the Town needs to develop and adopt a minimum fund balance policy.

#### **Policy**

The Town will maintain a minimum unassigned general fund balance of 15% of actual current year general fund expenditures, not including debt service. Should the unassigned general fund balance fall below the minimum fifteen percent (15%) range, the Town will replenish shortages/deficiencies using appropriate budget strategies.