

**RESOLUTION # 7 - 2023
FUND BALANCE POLICY**

WHEREAS, the Governmental Accounting Standards Board (GASB) has adopted Statement Number 54 (GASB 54) Fund Balance Reporting and Governmental Fund Type Definitions;

WHEREAS, the Board of the Town of LaFayette wishes to comply with GASB 54 as required;

NOW THEREFORE BE IT RESOLVED, that the Board of the Town of LaFayette hereby adopts the following policy:

Town of LaFayette Fund Balance Policy**PURPOSE**

The purpose of this policy is to establish guidelines for the general fund, unassigned fund balance to improve and maintain the Town's financial stability in order to protect the Town from unforeseen or unbudgeted situations, sudden changes in revenues or spending requirements; natural disasters; major infrastructure failures and unexpected litigation. In addition, the purpose of a fund balance policy is to ensure that there will be adequate liquid resources to serve as a financial cushion.

It is essential that governments maintain adequate levels of unrestricted fund balance to mitigate current and future risks and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning.

DEFINITIONS - FUND BALANCE CLASSIFICATIONS

Fund Balance - Fund balance is a measure of the financial resources available in a governmental fund.

Nonspendable Fund Balance - amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently nonspendable, such as, but not limited to, inventories, prepaid items, and long-term receivables such as advances.

Restricted Fund Balance - amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the Board of the Town of LaFayette and that remain binding unless removed by the Board of the Town of LaFayette by subsequent formal action. The formal action to commit a fund balance must occur prior to December 31st; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.

Assigned Fund Balance - amounts are comprised of unrestricted funds constrained by the Town of LaFayette's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the Town of LaFayette's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

Unassigned Fund Balance - residual amounts in the General Fund not reported in any other classification. Unassigned amounts in the General Fund are technically available for expenditure for any purpose. Unassigned fund balance will occur only in the General Fund or in other funds when there is a negative fund balance that cannot be eliminated by reducing restricted, committed or assigned fund balances.

MINIMUM FUND BALANCE AND RESERVES

General Fund Working Capital

The Town of LaFayette will strive to maintain a minimum unassigned General Fund balance of not less than 25 percent and not more than 35 percent of the subsequent years budgeted expenditures for working capital, which will avoid issuing short-term debt to meet the cash flow needs of the current operating budget during the time between significant collection of major revenue sources such as property taxes.

If the unassigned General Fund Balance exceeds the minimum unassigned General Fund balance policy, the excess fund balance can be used to fund one-time items or transferred to capital projects to fund additional projects or reduce future borrowings. Excess fund balance will not be used to fund ongoing operational costs. The Town Board shall approve any usage or transfer of excess funds above the minimum policy.

In the event the unassigned General Fund balance will be calculated to be less than the minimum requirement at the completion of any fiscal year, the Town will attempt to replenish the General Fund to an amount equal to the minimum fund balance policy.

REVIEW

The Town Board will conduct an annual review of the sufficiency of the minimum unassigned General Fund balance level.

This Resolution is hereby adopted on the 20th of September, 2023.


Cairie L. Virrueta, Clerk-Treasurer


Derek Steffen, Chair