

The Town of Cedarburg, Wisconsin

IN THE NAME AND BY THE AUTHORITY OF THE TOWN OF CEDARBURG,
WISCONSIN

RESOLUTION #2020-11

“Adopting a Fund Balance Policy”

- WHEREAS,** the Town of Cedarburg is an unincorporated Town within Ozaukee County, Wisconsin; and
- WHEREAS,** the Town Board wishes to maintain appropriate levels of fund balance as a key element of the overall financial health of the Town; and
- WHEREAS,** the Town Board recognizes a Fund Balance Policy is intended to set targets for the level of fund balance, identify the approach to maintain these levels, and provide guidelines for the use of fund balance.

NOW THEREFORE, BE IT RESOLVED that the Town Board of Supervisors in Cedarburg, Wisconsin does hereby adopt a Fund Balance Policy.

FUND BALANCE POLICY

Purpose

The objectives of this fund balance policy are as follows:

- Preserve the credit rating for borrowing monies at favorable interest rates.
- Provide working capital to meet cash flow needs during the year.
- Provide a comfortable margin of safety to address unanticipated expenditures / emergencies and unexpected declines in revenue due to economic downturns, natural disasters, etc.
- Provide a resource to stabilize fluctuations from year to year in the property taxes paid by taxpayers.

Policy

Government Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement was effective for financial statements with periods beginning after June 15, 2010. The objective of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information. The Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The Statement impacts governmental fund types. The fund balance will be reported in up to five categories: Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance and Unassigned Fund Balance.

Nonspendable Fund Balance – Amounts cannot be spent because they are a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts are restricted by external parties (i.e. creditors, grantors, contributors) or laws / regulations of other governments or restricted by law through constitutional provisions or enabling legislation, such as an ordinance.

Committed Fund Balance – Amounts that can only be used for specific purpose pursuant to constraints imposed by formal action of the government’s highest level of decision making authority. The formal action must occur prior to the end of the reporting period. The amount, which will be subject to the constraint, may be determined in the subsequent period.

Assigned Fund Balance – Amounts constrained by the government’s intent to be used for specific purposes that are neither restricted nor committed. The intent can be expressed by a) the governing body itself or b) a body or official to which the governing body has delegated the authority (i.e. Administrator, Treasurer, Committee etc.). Monies set aside for carryover appropriations, compensated absences, retirement obligations and contingencies are some of the examples to be included in the assigned category. Assigned fund balance can be used to eliminate the projected budgetary deficit in the subsequent year’s budget.

Unassigned Fund Balance – Is a residual classification for the General Fund. The total fund balance less amounts categorized as nonspendable, restricted, committed and assigned equals unassigned fund balance. General Fund is only fund that should report a positive unassigned fund balance amount. A negative unassigned fund balance is possible in other governmental funds.

Flow of Funds

It is the policy of this government that in cases where multiple types of funds are available to pay for expenditures in the various funds, restricted resources may be used first (not required), followed by committed, assigned, and finally unassigned (if applicable).

Procedures

In order to achieve the objectives of this policy, the following guidelines shall be implemented:

1. An unassigned General Fund fund balance shall be maintained as of December 31 of each year ~~equal~~ at a minimum of 40% of the prior year’s budgeted general fund operating expenditures less the amount included for highway construction as that number fluctuates from year to year (Account #100-00-53315-011-000).
2. The Town of Cedarburg will maintain appropriate commitments or assignments of general fund, special revenue funds, debt service funds and capital projects funds for specified purposes, including but not limited to contingencies, compensated absences or similar items. Commitments and / or assignments of fund balance shall be made pursuant per adoption of this resolution.
3. As part of the annual budget process, the Administrator and Financial Advisor (existing/current consultant) will estimate the surplus or deficit for the current year and prepare a projection of the year-end unassigned general fund balance. Such projection will include an analysis of trends in fund balance levels on an historical and future projection basis. Any anticipated balance in excess of the minimum unassigned General Fund fund balance may be assigned to other purposes, or budgeted to reduce the ensuing year’s property tax levy.
4. Funds may be considered to supplement “pay as you go” capital outlay expenditures (including reduction of anticipated debt issues) or to prepay existing debt via cash defeasance as allowable. Unassigned fund balance shall not be used to support recurring operating expenditures.
5. Withdrawal of any amount of unassigned general fund balance in excess of the targeted minimum of the amount budgeted under (3) above, for the sole purpose of reducing the

ensuing year's property tax levy, may be made only upon a three-fifths majority vote of the Town Board.


6. The Town Board, by three-fifths vote, can declare a fiscal emergency and withdraw any amount of General Fund fund balance for purposes of addressing the fiscal emergency. Any such action must also provide for necessary appropriations to restore the unassigned general fund balance to the minimum balance within a three-year period.
7. It is the policy of this government that assignments of fund balances and resources within a fund may be determined by the Town Administrator and Financial Advisor upon direction from the Finance Committee and/or the Town Board.

NOW THEREFORE, BE IT RESOLVED that the Town Board of Supervisors in Cedarburg, Wisconsin does hereby approve the Fund Balance Policy. Passed and adopted this 4th day of November, 2020.



David M. Salvaggio, Town Chairman

Attest:



Jack Johnston, Assistant Administrator/Clerk