

# Village of Roscommon

## Fund Balance Policy

### I. PURPOSE

This Fund Balance Policy establishes an appropriate level of fund balance in the General Fund, defines the components of fund balance, and directs officials in the methods to be used for increasing or decreasing fund balance when trends indicate fund balance will fall outside the minimum/maximum levels. This flexibility in General Fund financial statements will help cushion the impact of unanticipated emergencies and revenue shortfalls. Without this cushion taxpayers would be subject to millage increases, cuts in services, and/or deferred investment in and maintenance of infrastructure.

### II. GENERAL POLICY

Fund balance is created from excess revenues over expenditures. It is a fund's net assets, mostly made up of cash and investments and, unless otherwise restricted, available for spending. There are five components of fund balance, namely:

1. **Nonspendable Fund Balance.** This portion of fund balance is *nonspendable* because of its form, for example inventory and non-financial assets.
2. **Restricted Fund Balance.** This portion of fund balance is *restricted* due to external limitations placed on the use of the funds. The restriction typically comes from outside the local government as a condition of the revenue source such as grant proceeds.
3. **Committed Fund Balance.** Fund balance is *committed* if a limitation is set in place by formal action of the Village Council. The limitation remains binding until the Council takes formal action to remove it. Council action to commit fund balance must occur no later than the end of the fiscal year; however, the amount can be determined subsequent to the release of the financial statements.
4. **Assigned Fund Balance.** Fund balance may be *assigned* to reflect the intended use of the resource. The assignment of funds may come from the Village Council or the City Manager to meet the Minimum/Maximum Unrestricted Fund Balance of this policy. If any portion of existing fund balance will be used to eliminate a projected deficit in the subsequent year's budget, this amount will also be categorized as *Assigned Fund Balance*.
5. **Unassigned Fund Balance.** The General Fund, and no other governmental fund, may have resources that cannot be classified in one of the four categories described above. Only the General Fund can report a surplus, an *Unassigned Fund Balance*.

**III. FUND BALANCE POLICY**

The Village of Roscommon will strive to maintain an Unassigned General Fund balance between 30% and 45% of total General Fund expenditures.

When that amount approaches its minimum threshold, the Village will use the following measures, in priority order, to increase the fund balance.

1. Reduce *Committed* or *Assigned* Fund Balance amounts.
2. Increase rates and charges funding specific services to make them self-sufficient where possible.
3. Reduce general operating expenses.
4. Increase the millage rate.

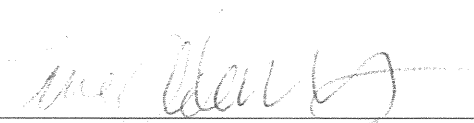
When the fund balance approaches its maximum threshold, the Village will use the following measures, in priority order, to reduce fund balance:

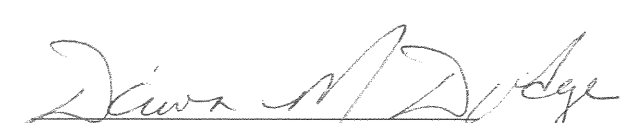
1. Accelerate capital improvement projects.
2. Make principle payments on any Village debt.
3. Reduce the millage rate.

Ayes: Butler, Yannatta, Adams, Murphy, McKee  
Swada and Lippert

Nays: None

Adopted by the Village of Roscommon Council on March 12, 2012

  
Village President

  
Village Clerk