

Delta Township Fund Balance Policy 9/6/11

The Delta 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 financial reserves for unanticipated one-time expenditures, revenue shortfalls, and/or 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 Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Policy

1. **Classifications** The following individual components shall constitute the fund balance for all of the Township’s Governmental Funds:

Classification	Definition	Examples	
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	<ul style="list-style-type: none"> • Inventories, • Prepaid items, • Long-term receivables 	
Restricted	Fund balance should be reported as restricted when constraints placed on the use of resources are either: <ol style="list-style-type: none"> a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b. Imposed by law through constitutional provisions or enabling legislation. 	<ul style="list-style-type: none"> • Restricted by state statute, • Unspent bond proceeds, • Grants earned but not spent, • Taxes dedicated to a specific purpose, and • Revenues restricted by enabling legislation. 	
Unrestricted	Committed	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 December 31 st of that fiscal year.	<ul style="list-style-type: none"> • Amounts the Township Board sets aside by resolution.
	Assigned	Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. These amounts can be “assigned” by the Township Manager.	<ul style="list-style-type: none"> • Township Board delegates the authority to assign fund balance to the Township Manager. • OPEB, future roads, non-motorized transportation are examples.
	Unassigned	Unassigned fund balance 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.	

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Committing Fund Balance In order to commit fund balance, the Township Board, as the highest level of decision-making authority, must pass a resolution to commitment 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.

Assigning Fund Balance In order to assign fund balance, the Township Board designates the Township Manager, or his designee, as the authority to assign fund balance.

2. **Levels of Fund Balance** The Township will establish and maintain levels of fund balance for the General Fund as follows:

The goal of the Township Board shall be to maintain a minimum unassigned fund balance of no less than 50% of General Fund expenditures. For purposes of this calculation, "expenditures" will be the annual budgeted expenditures amount less non-recurring capital expenditures. If unassigned fund balance levels fall below 50% of expenditures, the General Fund budget for the following year will be adjusted to restore fund balance to the 50% level.

If unassigned fund balance approaches a level that greatly exceeds 50% of expenditures, the Township Board will consider using unassigned fund balance for the following purposes: Funding OPEB Trust, pay down future debt (drains/bonds), transfer funds to Capital Projects fund for future Capital Improvements, and other future obligations of the Township.

Fund balance levels will be analyzed each fiscal year after the financial statement audit (typically in April).