

CHAPTER 15

**Village of Rockdale
Dane County, Wisconsin**

Ordinance No. 2016-03

CHAPTER 15

**AN ORDINANCE TO CREATE A FUND BALANCE POLICY
FOR THE GENERAL FUND**

The Village Board of the Village of Rockdale, Dane County, Wisconsin, DO ORDAIN as follows:

1. **PURPOSE.** The purpose of this ordinance of a Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the Village against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures.

The policy also authorizes and directs the Clerk-Treasurer to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

2. **GENERAL POLICY.** Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Village is bound to honor constraints on the specific purpose for which amounts can be spent.

- Nonspendable fund balance consists of funds that cannot be spent due to their form (e.g. inventories) or funds that legally or contractually must be maintained intact.
- Restricted fund balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

The first two components listed above are not addressed in this policy due to the nature of their restrictions. An example of nonspendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This policy is focused on the financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

3. PROVISIONS.

a. Committed Fund Balance

The Village Board of Rockdale, as the Village's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Board action to commit fund balance needs to occur within the calendar year, no later than December 31st; however, the amount can be determined subsequent to the release of the financial statements. At the time of adoption of this policy, the Village does not have any reserves that meet this component of fund balance.

b. Assigned Fund Balance

Amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the Clerk-Treasurer for the purpose of reporting these amounts in the annual financial statements. Any funds set aside as assigned fund balance must be reported to the Board at their next regular meeting. The Board has the authority to remove or change the assignment of the funds with a simple majority vote.

The Board has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

c. Unassigned Fund Balance

Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget revision by the Board. In the event of projected revenue shortfalls, it is the responsibility of the Clerk-Treasurer to report the projections to the Board.

The Fund Balance Policy establishes a minimum Unassigned Fund Balance equal to a minimum of \$10,000 or 5% of total General Fund expenditures. In the event that the balance drops below the established minimum level, the

Board will develop a plan to replenish the fund balance to the established minimum level in two years.

d. Fund Balance Classification

The Village considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Village considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

This policy is in place to provide a measure of protection for the Village of Rockdale against unforeseen circumstances and to comply with GASB Statement No. 54. No other policy or procedure supersedes the authority and provisions of this policy.

4. **EFFECTIVE DATE.** This Ordinance shall be effective following its adoption, posting and/or publication as provided by law.

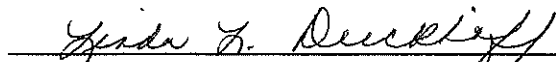
The above and foregoing Ordinance was duly adopted at a regular meeting of the Rockdale Village Board on the 21st day of November, 2016.

APPROVED:



Kimberly A. Zuelsdorf, Village President

ATTEST:



Linda L. Dieckhoff, Village Clerk-Treasurer

Posted: November 22, 2016

Passed: November 21, 2016

Vote:

Ayes: 5 Nays: 0