
TOWN OF VIENNA, VIRGINIA FUND BALANCE POLICY

Effective Date: April 2, 2012, Revised May 7, 2018

I. PURPOSE

The Town of Vienna Town Council recognizes the significance of maintaining an appropriate level of fund balance as one component of sound financial management; and, therefore, formally establishes this policy for the Town's Fund Balance. This policy also authorizes and directs the Director of Finance / Treasurer to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

II. SCOPE

This policy establishes the level of unassigned fund balance required for the Town's General Fund and fund balance management. It sets forth the levels deemed appropriate for Town operations, and the protocol for the use and maintenance of the established levels. This policy is established on the modified accrual basis of accounting for governmental funds.

III. COMPONENTS OF FUND BALANCE

Fund balance is the difference between the assets and liabilities reported in a governmental fund. It serves as a measure of financial resources available for current operations. The following five fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by external providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation (examples: federal grants, unspent special purpose bond proceeds);
- Committed fund balance – amounts constrained to specific purposes imposed by formal action of Town Council. To be reported as committed, amounts cannot be used for any other purpose unless the Council takes the same highest level action to remove or change the constraint. This limitation must be imposed no later than the close of the reporting period,

though the exact amount may be determined subsequently. An example would be encumbrances approved by Council;

- Assigned fund balance – amounts Town Council intends to use for a specific purpose expressed by Council or by an official or local body to which Council delegates the authority; for all funds except the general fund, assigned fund balance is the residual fund balance classification. Examples would be encumbrances not needing Council's approval or a recommended use of fund balance;
- Unassigned fund balance – amounts that are available for any purpose; available to be spent in a future period.

IV. COMMITTED FUND BALANCE POLICY

Town Council is the Town's highest level of decision-making authority. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by Council.

V. ASSIGNED FUND BALANCE POLICY

Town Council has authorized the Town's Director of Finance / Treasurer as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

VI. MINIMUM UNASSIGNED FUND BALANCE POLICY

The Town will maintain an unassigned fund balance in the general fund of not less than ~~10~~15% of subsequent year budgeted expenditures. The Town considers a balance of less than ~~10~~15% to be cause for concern, barring unusual or deliberate circumstances.

Appropriations from the fund balance below the minimum of ~~10~~15% of General Fund expenditures shall occur only in the event of emergency needs as approved by Town Council.

VII. RESOURCE FLOW POLICY

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

VIII. POLICY COMPLIANCE

The Director of Finance / Treasurer will submit an annual report to Council upon completion of the annual audit. If the Town does not meet its target for Unassigned Fund Balance, a compliance plan shall be submitted to Council for approval which will bring the Town into compliance with this policy by the end of the subsequent fiscal year.

The Town shall demonstrate compliance with this policy in its annually adopted budget.

APPROVED BY:

DATE:
