Town of White

Fund Balance Policy

1. Purpose and Need

The Town of White understands it has a responsibility to maintain prudent financial operations to ensure stable township operations for the benefit of town residents and businesses.

Fund balance reserves are an important component in ensuring the overall financial health of a community, by giving the Township a cushion to meet contingency or cash-flow timing needs. The Office of the State Auditor recommends that at year-end, local governments maintain an unreserved fund balance in their general fund and special revenue funds of approximately 35 to 50% of fund operating revenues, or no less than five months of operating expenditures.

Although bond rating agencies do not have recommended fund balance levels, the agencies look favorably on larger fund balances, which protect against contingencies and cash flow needs.

1. Policy

* The Town of White shall provide and maintain an unreserved balance equal to 50% of budgeted operating expenditures. Funds are accounted for in the Town’s Annual Financial Report and include:
  + - General Fund
    - Road & Bridge Fund
    - Debt Service Funds
* Annual proposed budgets shall include this benchmark policy.
* The Town Board shall review the amounts in fund balances in conjunction with the annual budget approval, and make adjustments as necessary to meet expected cash-flow needs.
* The Town Board may consider appropriating (for authorized purposes) fund balance in excess of the policy level. An example of preferred use of excess fund balance would be for one-time expenditures such as capital expenditures.
* Normal Order of Resource Use: When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the net resources with the most constraints are used first.

1. Procedures

* The Town of White shall maintain necessary funds in accordance with Town policy and Minnesota statutes.
* Annual financial statements shall be prepared in accordance with generally accepted accounting principles establishing fund balance at the end of each year.
* The Town Board shall review fund balance and cash-flow needs during the budget process in accordance with this policy.
* The policy shall be reviewed periodically, especially if the composition or timing of revenue receipts change.

1. Responsibility and Authority

* Review of and recommended changes in policy shall be the responsibility of the Town Clerk.
* Administrative implementation of policies is the responsibility of the Town Board.

Adopted: February 15, 2012

Amended February 27, 2013