

TOWN OF SUGAR CREEK

FUND BALANCE POLICY IN ACCORDANCE WITH GASB #54

Purpose

The Fund Balance Policy is intended to provide a stable financial environment for the Town of Sugar Creek's operations that allows the Town to provide quality services to its residents in a fiscally responsible manner designed to keep services and taxes as consistent as possible over time. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The main objective of establishing and maintaining a Fund Balance Policy is for the Town to be in a strong fiscal position that will allow for better position to weather negative economic trends.

Fund Balance Classifications:

CATEGORY	DEFINITION	EXAMPLES (but not limited to)
Non-spendable	Funds not available for spending, either now or in the future, because the amount is offset by assets that are not in a spendable form or the funds legally or contractually must be maintained intact.	Inventories and prepaid funds
Restricted	Funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation	Debt retirement
Committed	Funds set aside by formal Town Board action, ordinance or resolution, prior to the end of the fiscal year.	
Assigned	Funds set aside in governmental funds, other than the General Fund, by a more informal plan by the Town Board, Administrator, or Treasurer with the intent to be used for a specific purpose	Special Revenue Funds (impact fees, storm water utility fees, etc.) Capital Project Funds and Replacement Funds
Unassigned	General Fund excess funds that have not been classified in the previous four categories	General Fund - residual

DEFINITIONS and POLICIES

1. FUND BALANCE

Fund Balance is the difference between assets and liabilities in governmental funds (i.e. general fund, special revenue funds, capital project funds, debt service funds and permanent funds).

- **Non-spendable Fund Balance** describes the amount of a fund balance that cannot be spent due to their form (e.g. inventories and prepayments) or funds that legally or contractually must be maintained intact.

Policy:

At the end of each fiscal year, the Town will report the portion of the fund balance that is not in spendable form as Non-Spendable Fund Balance on the financial statements.

SPENDABLE FUND BALANCE (Overview) describes the amount of fund balance that is available for appropriation based on the constraints that control how specific amounts can be spent. Typically, a significant portion of a government's spendable resources can be spent only for specified purposes. The following categories define the revenue source and the level of force of the constraint on spending.

- **Restricted Fund Balance** category includes the portion of the spendable fund balance that reflects constraints on spending because of legal restrictions stipulated outside parties or based on state statutes or grant requirements placed on the use for specific purposes.

Policy:

At the end of each fiscal year, the Town will report "restricted" fund balances for amounts that have applicable legal restrictions per provisions of GASB #54. Normally, fund balances in debt service funds and capital project funds with remaining long-term debt proceeds will be reported as "restricted".

- **Committed Fund Balance** classification includes the portion of the spendable fund balance that reflects constraints that the Town has imposed upon itself by a formal action of the Town Board (for example, an ordinance or resolution passed by the Town Board). This constraint must be imposed prior to year end, but the amount can be determined at a later date.

Policy - General Fund Balances:

Prior to the end of each fiscal year, the Town will determine the specific purposes of "committed" fund balance. Any new specific purposes will be set forth in a Town Board resolution with the final amount being determined at or after year end. Specific purposes for committed fund balance approved in prior year resolutions will be carried forward until changed by a current year resolution. In most instances, general fund non-lapsing accounts or other previously designated amounts will be reported as committed fund balance.

Policy - Other Fund Balances:

Fund balances in special revenue funds, unless restricted by an outside party, are considered to be committed to the specific purpose set forth by each special revenue fund. In addition, capital project fund balances that do not include debt proceeds will normally be reported as committed. Since committed fund balances are approved by action of the Town Board, the Town is required to formally establish all special revenue and other funds with committed balances at year end. In addition, special revenue funds are required to report the purpose and specific revenue source that establishes each fund.

The Town currently has no committed funds on hand.

- **Assigned Fund Balance** is the portion of the spendable fund balance that reflects funds intended to be used by the government for specific purposes assigned by more informal operational plans.

Policy:

Upon passage of the Fund Balance Policy, authority is given to the Town's Administrator and Treasurer to assign funds for specific purposes. Any funds set aside as an "Assigned Fund Balance" must be reported to the Town's governing board at their next regular meeting. The governing board has the authority to remove or change the assignment of the funds with a simple majority vote. The Town Board also 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.

- **Unassigned Fund Balance** is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications and, therefore, not subject to any constraints. Unassigned amounts are available for any purpose. These are the current resources available for which there are no government self-imposed limitations or set spending plan. Although there is generally no set spending plan for the undesignated portion, there is a need to maintain a certain funding level. Undesignated fund balance is commonly used for emergency expenditures not previously considered. In addition, the resources classified as undesignated can be used to cover expenditures for revenues not yet received.

2. FLOW OF FUNDS

When both restricted and unrestricted funds are available for the same particular purpose, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for an expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last; unless the Town Board has provided otherwise in its commitment or assignment actions. Therefore,

The policy of the Town guiding the order of fund balance spend-down shall be as follows:

- 1. restricted, 2. committed, 3. assigned, and 4. unassigned.*

This order will be used for purposes of reporting fund balance.

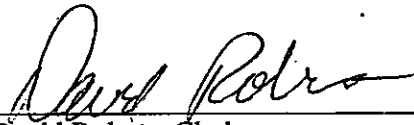
3. MINIMUM FUND BALANCE

In order to maintain sufficient cash reserves for Board approved adjustments, working capital or emergency expenditures, the Town needs to develop and adopt a minimum fund balance policy.

Policy

The Town will strive to maintain a minimum unassigned general fund balance of 25% of the actual current year general fund expenditures.

This policy is adopted by the Town Board of the Town of Sugar Creek on this 18th day of August, 2025.



David Roberts, Chairman

Attested by:



Sara Morin, Clerk

Posted: _____