

Town of Essex Fund Balance Policy

The Town of Essex wishes to establish a Fund Balance Policy for its governmental funds in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54 – “Fund Balance Reporting and Government Fund Type Definitions.” Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result amounts previously reported as reserved and unreserved will now be reported as nonspendable, restricted, committed, assigned or unassigned. Definitions of the categories of fund balance are as follows:

- **Nonspendable** fund balance includes amounts that cannot be spent. This includes amounts that are not in a spendable form (inventories, prepaid amounts, long-term portions of loans or notes receivable) and amounts that are legally or contractually required to remain intact, such as the principal of an endowment fund.
- **Restricted** fund balance includes amounts that can be spent only for specific purposes stipulated by external resource providers (for example grant providers), or imposed by law through a constitutional provision, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use such as impact fees).
- **Committed** fund balance can be used only for purposes pursuant to constraints imposed by a formal action by the voters, the Town of Essex’s highest level of decision-making authority. This formal action is the approval of articles at the annual or a special Town meeting, specifying the purposes (which can be general or specific) for which amounts can be used. The same type of formal action is necessary to remove or change the use. Examples of this are the balances in our Capital Projects Fund. In this fund the fund balance is committed to the general purpose of the fund but not to individual projects. The dollars in these funds are controlled by the Selectboard (i.e., the amounts are assigned and/or reassigned to specific projects/equipment by a vote of the Selectboard).
- **Assigned** fund balance comprises amounts intended to be used by the government for specific purposes. Intent will be expressed by a vote of the Selectboard. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
- **Unassigned** fund balance is the residual amount of the General Fund not included in the four categories above. In addition, any deficit fund balances in other governmental funds will be reported as unassigned.

When both restricted and unrestricted (committed, assigned and unassigned) amounts are available for a specific use, generally it is the Town’s policy to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, it is generally the Town’s policy to use committed amounts first, followed by assigned amounts, then unassigned amounts as needed.

The Selectboard of the Town of Essex hereby authorizes the Town to maintain and administer an unassigned fund balance of up to 15 percent of the current year General Fund operating budget. Unassigned fund balance for a fiscal year is determined following an audit, which is typically completed by December or January following a given

fiscal year. Unassigned fund balance over 15 percent shall be assigned as needed or as appropriate by the Selectboard, preferably with the recommendation or support of the Finance Director and Municipal Manager. Any remaining unassigned fund balance over 15 percent shall be used to reduce the General Fund operating budget in subsequent fiscal years. The recommended maximum of 15 percent balance shall be applied to "unassigned" fund balance as defined above.

Adopted by the Town of Essex Selectboard on the 18th day of May 2015. Amended November 20, 2017.

Town of Essex Selectboard

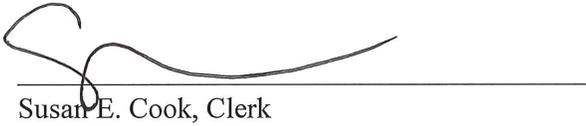
Dated: November 20, 2017.



Max G. Levy, Chair



R. Michael Plageman, Vice Chair



Susan E. Cook, Clerk



Andrew J. Watts



Irene A. Wrenner