

# Fund Balance Policy

Town of Greensboro, Vermont

**PURPOSE.** The purpose of this policy is to support prudent financial management and long-term fiscal sustainability by establishing clear expectations for maintaining fund balance to manage financial risk, address unforeseen events, and promote stability in the Town's operations and tax rate.

**OBJECTIVE.** The objective of this policy is to ensure that fund balance is appropriately classified, reported, and maintained in accordance with applicable accounting standards, at a level sufficient to mitigate financial risk, support cash flow needs, and provide flexibility to respond to unforeseen events, while avoiding the routine use of fund balance for ongoing operating expenditures.

## **DEFINITIONS.**

**Operating Budget:** The annual plan for funding a Town's routine, day-to-day expenditures and the means of financing them, including all operating costs across funds such as General and Highway, regardless of how those funds are structured.

**Fund balance classifications:** Fund balance for governmental funds should be reported in the following categories, as defined by [GASB Statement No. 54](#):

### **Nonspendable Fund Balance**

Amounts that cannot be spent because they are not in spendable form (such as inventories, prepaid items, assets held for resale, or the long-term portion of loans and notes receivable) or because they are legally or contractually required to remain intact (such as the principal of an endowment).

### **Restricted Fund Balance**

Amounts constrained to specific purposes by external resource providers (such as grantors or creditors), by constitutional provisions, or by enabling legislation.

### **Committed Fund Balance**

Amounts constrained to specific purposes by formal action of the Town's highest level of decision-making authority, typically the voters at an annual or special Town Meeting. The same level of formal action is required to remove or change the constraint.

### **Assigned Fund Balance**

Amounts intended to be used for specific purposes, as expressed by a vote of the Selectboard or by an official or body authorized by the Selectboard. For governmental funds other than the General Fund, this represents the residual amount not otherwise classified.

*[Guidance: Assigned fund balance may include amounts set aside for known or anticipated risks, such as disaster response, emergency repairs, or future FEMA match requirements etc. Municipal lenders, including the Vermont Bond Bank, may use or develop disaster planning benchmarks for reserves that can inform these assignments.]*

**Unassigned Fund Balance**

The residual classification of the General Fund not included in the categories above, resources available for any purpose. In addition, any deficit fund balances in other governmental funds must be reported as unassigned.

**FLOW ASSUMPTION.**

When multiple funding sources can be used for a particular purpose, the Town will generally use restricted resources first, followed by committed, then assigned before unassigned, unless circumstances warrant a different approach.

**UNASSIGNED FUND BALANCE: OBJECTIVE AND TARGET.**

The Selectboard establishes a target unassigned fund balance of no less than two months of regular operating expenditures (approximately 17% percent of the most recent annual General Fund operating expenditures). This target will be evaluated annually as part of the budget development process.

**FUNDING AND MAINTENANCE.**

Unassigned fund balance for a fiscal year will be determined following year-end closing and completion of the annual audit. If unassigned fund balance falls below the established target, the Selectboard may consider corrective actions as part of the annual budget process. If unassigned fund balance exceeds the target, the Selectboard will assign excess amounts for specific purposes, such as capital needs or tax rate stabilization, or to reduce future operating budgets.

**REPORTING AND REVIEW.**

Fund balance amounts and activity will be reviewed at least annually as part of the Town’s budget development process and reported in the Town’s year-end financial statements, the Town audit, and internal financial reports.

**AMENDMENT OF POLICY.** Any change in this policy must be approved by a majority of the Selectboard.

**EFFECTIVE DATE.**

This policy will become effective immediately upon its adoption by the Selectboard.

Adopted (Date): April 8, 2026

Signatures:

MacNeil  
Tim [unclear]  
Ella [unclear]  
Mike Metcalf  
Judy Carpenter