

# WATAB TOWNSHIP

## RESOLUTION 2024-11

### FUND BALANCE POLICY

**WHEREAS**, the Town Board of Watab, Benton County, state of Minnesota recognized that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Township and is fiscally advantageous for both the Township and the taxpayers;

**WHEREAS**, this policy establishes goals and provides guidance concerning the desired level of fund balance maintained by the Township to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances;

**WHEREAS**, the definition of “Fund Balance” is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund;

**WHEREAS**, according to the GASB (Government Account Standards Board) Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

1. **Non-Spendable Fund Balance**—amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
2. **Restricted Fund Balance**—amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).
3. **Committed Fund Balance**—amounts that can be used only for the specific purposes determined by a formal action of the Town Board. Commitments may be changed or lifted only referring to the formal action that imposed the original constraint.
4. **Assigned Fund Balance**—amounts intended to be used by the Township for specific purposes. Intent can be expressed by the Board or by a designee to whom the Board delegates authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are at a minimum intended to be used for the purpose of that fund (e.g., fire funds, bond payment funds, road and bridge funds).
5. **Unassigned Fund Balance**—includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

**NOW, THEREFORE, BE IT HEREBY RESOLVED** that the Watab Town Board does here by establish the above Fund Balance Policy.

**Renews annually at the Annual Board Organizational Meeting**

**APPROVED AND ADOPTED THIS 8<sup>th</sup> DAY OF APRIL, 2024:**

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Board Chairperson and Supervisor

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Supervisor

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Supervisor

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Mary Shearer, Treasurer

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Kathy Sauer, Clerk