



**VERMONT
GOVERNMENT FINANCE OFFICERS ASSOCIATION
ADMINISTRATIVE POLICY**

SUBJECT: FUND BALANCE POLICY

I. STATEMENT – The general purpose of this policy is to improve the financial stability of the VTGFOA by protecting itself against emergencies and economic downturns. This policy is also designed to help the VTGFOA prepare for a financial emergency, as well as contribute to the continuity of operations. This policy encompasses a minimum range of required fund balance reserves, as well as procedures for emergency withdrawal of funds.

II. DEFINITIONS

Fund Balance – The accumulated equity balance resulting from operations over the years. This is the difference between fund assets and liabilities.

III. PROCEDURES

- A. Fund Balance Minimum**- The VTGFOA shall strive to maintain a minimum balance of no less than the equivalent of 25% of annual budgeted expenditures in its unrestricted fund balance.
- B. Excess Funds** – In the event that the prior fiscal year fund balance exceeds the equivalent of 25% of annual budgeted expenditures, the VTGFOA Board of Directors may approve the assignment of the excess unrestricted fund balance for goods and/or services necessary or desirable to promote the purpose of the Association. Such approval requires an affirmative vote of at least 6 members of the Board of Directors.
- C. Emergencies** – In the event that funds are needed for an emergency purpose and the fund balance does not exceed the equivalent of two months of operating expenditures, the VTGFOA Board of Directors may approve emergency expenditures with an affirmative vote of at least 6 members of the Board of Directors and the motion shall include plans for restoring the unrestricted fund balance as prescribed in section III (A) herein.

Approved: 1/19/2011