



**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 to take advantage of unbudgeted opportunities, 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 is as a result of surpluses and deficits over the years. The equity balance is the difference between fund assets and liabilities. Fund Balance may consist of an **Assigned Fund Balance**, which is that portion of the Total Fund Balance that the VTGFOA Board has set aside for a particular purpose and an **Unassigned Fund Balance**, which is the remaining amount of the Total Fund Balance.

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 unassigned fund balance.
- B.** Excess Funds – In the event that the prior fiscal year unassigned fund balance exceeds the equivalent of 25% of annual budgeted expenditures, the VTGFOA Board of Directors may approve the assignment of the excess unassigned 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. The “emergency” motion shall include plans for restoring the unassigned fund balance as prescribed in section III (A) herein.

Approved: 1/19/2011
Reviewed & Amended: April 2016