

# Town of Charlotte

ESTABLISHED 1762

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## FUND BALANCE POLICY

Approved September 14, 2015

### 1. PURPOSE

1.1 The purpose of establishing a policy on the unassigned fund balance in the general fund is to provide a guideline for budgeting and tax rate decisions and to insure that adequate reserves are maintained in the general fund for the following purposes:

1.1.1 To fund operations by providing sufficient working capital for adequate cash flow, tax rate stabilization and as protection against uncollected taxes, economic downturns, or shortfalls of revenues, imposition of additional costs by other governmental agencies including courts, errors in financial forecasting, natural disasters and cutbacks in distributions from the state government.

1.1.2 To reduce the cost of short-term borrowing by maintaining an appropriate level of unassigned general fund balance.

### 2. DEFINITION

2.1 Unassigned fund balance – The portion of the general fund balance that is not restricted, committed or assigned for a specific use that exists at the end of the fiscal year.

2.2 Operating expenditures – All charges included in the total budgeted general fund expenses.

### 3. RATIONALE

3.1 The National Advisory Council on State and Local Budgeting (NACSLB) encourages local governments to establish a policy on maintaining an appropriate level of Unassigned Fund Balance in the general fund (Recommended Practice 4.1).

3.2 The Government Finance Officers Association (GFOA) recommends that, “at a minimum, general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than 5 to 15 percent of regular general fund operating revenues, or no less than one or two months of regular general fund operating expenditures.”

3.3 GFOA also notes that “In practice, levels of fund balance, (expressed as a percentage of revenues/expenditures or as a multiple of monthly expenditures), typically are less for larger governments than for smaller governments because of the magnitude of the amounts involved and because the diversification of their revenues and expenditures often results in lower degrees of volatility.”

**4. POLICY**

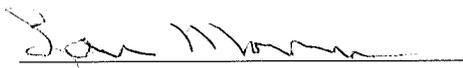
4.1 The Town should budget for current year general fund revenues including property tax revenues to be sufficient to finance current year expenditures.

4.2 Consistent with the recommendations of GFOA, an unassigned general fund balance of between 5 and 15 percent of general fund operating expenditures should be maintained.

4.3 As part of setting the Town tax rate the Selectboard will review and discuss the unassigned general fund balance. After satisfying the desired level of funding for the unassigned fund balance, any surplus remaining shall be returned to the taxpayers in the tax rate calculation.

**Be it enacted by the Select Board of the Town of Charlotte, Vermont – 05445:**

The foregoing Policy is hereby adopted by the Select Board of the Town of Charlotte, Vermont, this 14<sup>th</sup> day of September, 2015 and is effective as of this date until amended or repealed.



Lane Morrison, Chair

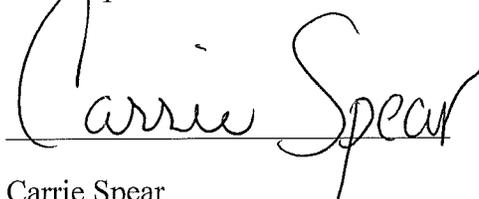


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