

Village of Deer Park

Fund Balance and Reserve Policy

Purpose

The purpose of this policy is to establish a target level of fund balance for the general fund and certain special revenue funds, to establish a process and criteria for the continued evaluation of the target level as conditions warrant. This policy shall also establish a process for reaching and maintaining the targeted level of unrestricted fund balance, and the priority for the use of the amounts in excess of the target. Finally, this policy shall provide a mechanism for monitoring and reporting the Village's fund balance.

Definitions & Classifications:

Fund Balance – The difference between assets and liabilities in a Governmental Fund.

General Fund – Accounts for all activities of the Village not accounted for in some other fund.

Motor Fuel Tax Fund – Accounts for the revenues and expenditures of the Village's portion of the state tax on the sale of motor fuel. This tax is distributed to the Village by the State on a per capita basis. The expenditures intended for Motor Fuel Tax revenue must not exceed the amount of funds available from the State of Illinois Motor Fuel Tax Funds. These revenues should be used only for the street improvements and repairs, as allowed by the State of Illinois Law.

Sewer Fund – Is an enterprise fund that is used to account for sanitary sewer operating revenues and expenses.

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Capital Replacement Funds – These funds are established to account for and report the financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, excluding those types of capital related outflows financed by proprietary funds.

Governmental Fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five classifications of fund balance are as follows:

Non spendable – Represents fund balances which are not available to be spent because of their form or because they must be maintained intact.

Restricted Fund Balance – Represents fund balances which are subject to externally enforceable limitations or result from enabling legislation adopted by the Village

Committed Fund Balance – The portion of a Governmental Fund's net assets with self-imposed constraints or limitation that have been placed at the highest level of decision making

Assigned Fund Balance – The portion of a Governmental Fund's net assets to denote an intended use of resources

Unassigned Fund Balance – Available expendable financial resources in a governmental fund that are not the object of tentative management plan (i.e. designations)

A negative residual amount should not be reported for restricted, committed or assigned fund balances in any fund.

The committed, assigned, and unassigned classifications are often referred to, in the aggregate, as the unrestricted fund balance.

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Policy:

It is the policy of the Village of Deer Park to maintain a combined unrestricted fund balance in the General and the specified special revenue funds at 25% of the subsequent year's budget, defined as the total of municipal appropriations. In the event that the unrestricted fund balance drops below the target of 25% the Village will develop a plan, implemented through the annual budgetary process, to bring the balance to the target level.

The Village will consider using unrestricted fund balance for emergencies that cannot be addressed through a normal budget process. The Village will consider using unassigned fund balance first to address any emergency. However, the use of assigned or committed fund balance, in that order, will be considered only as a last resort.

This policy may be amended from time to time by the Village of Deer Park Board of Trustees.