

## RESOLUTION #22-21

### A RESOLUTION ESTABLISHING FINANCIAL POLICES TO INCLUDE AN INVESTMENT POLICY, PURCHASING AUTHORITY POLICY, AND FUND BALANCE POLICY

**WHEREAS**, the 2021 Management Letter from the Village Auditor stated the Village of Jackson shall establish an Investment Policy and Designation of Public Depositories, a Purchasing Authority Policy and Procedures and a Fund Balance Policy; and

**WHEREAS**, the Government Standards Accounting Board (GASB) issued Statement No 54, establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of the resources reported in governmental funds; and

**NOW, THEREFORE BE IT RESOLVED**, that the Village Board of the Village of Jackson, Washington County, Wisconsin, does hereby adopt the financial policies to include establishing an investment policy and designating public depositories, purchasing authority policy and procedures and fund balance policy for financial statement reporting purposes attached as Exhibit A.

Introduced by: Pres. Schwab

Seconded by: Tr. Engelhardt

Vote: 5 Ayes 0 Nays

Passed and Approved: 11/8/2022

VILLAGE BOARD, VILLAGE OF JACKSON

Michael E. Schwab  
Michael E. Schwab – Village President

Attest: Jilline S. Dobraz  
Jilline S. Dobraz – Village Clerk

Proof of Posting:

I, the undersigned, certify that I posted this Resolution on posting boards at the Jackson Municipal Complex, Post Office, and one other location in the Village.

[Signature]  
Village Official

11/10/2022  
Date

# **Village of Jackson**

## **Investment Policy and Designation of Public Depositories**

### **PURPOSE:**

This policy applies to all funds under the authority of the Village of Jackson, Wisconsin (the "Village") not immediately needed to meet operating expenses of the Village. These funds shall, where permissible, be pooled together to achieve the best rate of return. The following fund types are covered by this investment policy: general, debt service, recreation, fire, capital project, sewer utility, water utility. This policy will include any new funds created, unless specifically exempted.

### **GENERAL OBJECTIVES:**

#### **1. SAFETY**

Safety of principal is the foremost objective of the investment program. Investments of the portfolio shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

#### **2. LIQUIDITY**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Investment portfolios will be structured so that securities mature concurrently with cash needs to meet anticipated demands. Alternatively, a portion of any portfolio may be placed in money market mutual funds or local government investment pools authorized and permissible under Wisconsin statutes which offer same-day liquidity for short term funds.

#### **3. YIELD**

Investment portfolios shall be designed with the objective of attempting to attain a market rate of return throughout budgetary and economic cycles, factoring investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit quality may be sold prior to maturity to minimize loss of principal.
- Liquidity needs of the Village require that a security or securities are sold prior to maturity.
- A security swap would improve the safety and yield of the overall portfolio.

### **STANDARDS OF CARE:**

#### **1. Prudence**

Investments shall be made with judgment and care giving first consideration to the safety of the investment, then liquidity, and finally yield. "Notwithstanding any other provisions of law, a treasurer who deposits public moneys in any public depository, in compliance with s. 34.05, is thereby relieved of liability for any loss of public moneys which results from failure of any public depository to repay to the public depositor the full amount of its deposits thus causing a loss as defined in s. 34.01 (2)." (Section 34.06 of the Wisconsin Statutes) This policy should not be construed as to imply that an investor should engage in speculative or risky investments. Nor does this policy condone aggressive leveraging for investment purposes.

#### **2. Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village.

### **3. Delegation of Authority**

Management and administrative responsibility for the investment program of the Village is entrusted to the Village Treasurer and Administrator under the direction of the Village Board. Individuals authorized to engage in investment transactions on behalf of the Village are the listed in *Appendix A*.

### **4. Permissible Investments**

Permissible investments include any investment stipulated in Wisconsin statute 66.0603 (1m). *See full list in Appendix B*.

- Debt service reserve fund investments specifically for use toward General Obligation debt shall be further restricted to those permissible as per Wisconsin statute 67.11.

### **5. Risks**

The deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. The Village will seek to mitigate common investment risks: credit risk, concentration risk, interest rate risk, and foreign currency risk.

- The investments of the Village shall be held in the name of the Village and held in custodial safekeeping. All custodial agreements shall comply with the laws of the State of Wisconsin.

## **INTERNAL CONTROLS:**

The Village Treasurer, Administrator, and Auditor shall establish a system of internal controls designed to prevent losses of Village funds arising from fraud, misrepresentation by third parties, unanticipated changes in financial markets, employee error, or imprudent actions by employees.

Internal controls shall address:

- Separation of transaction authority from accounting and record keeping.
- Clear delegation of authority to subordinate staff members.
- Confirmation of transactions for investments and wire transfers.
- Development of a Wire Transfer Request Form for Department Heads to submit to the Treasurer (see attached).
- Investment and interest earnings will be recorded in the Village's accounting records based on generally accepted government accounting principles.
- A periodic summary of all investment transactions will be prepared by the Village Treasurer for review by the Village Board.
- Each year, as part of the annual audit by an external auditing firm, there will be an independent review. This review will provide internal control by assuring compliance with this policy.

## **COLLATERALIZATION:**

Certificates of Deposit that exceed FDIC insurance limits and/or coverage limits specified in Wisconsin statutes 34.08(1)(2) shall require collateral valued at 102% of the principal and accrued interest. Conditions of the collateral arrangement will be detailed in a "Security Agreement" between the depository financial institution and the Village. Collateral pledged to the Village for this purpose will be held by a third-party custodian, in the Village's name, and evidenced by a "Tri-Party" agreement between the depository financial institution, the Village, and the custodian. Evidence of ownership must be detailed in a safekeeping receipt supplied to the Village Treasurer. Collateral substitution(s) must be authorized by the Village.

The Village may also request collateral, under the same conditions as stated above, for any deposits at any financial institution that exceed FDIC insurance limits.

## **INVESTMENT PARAMETERS:**

### **Diversification**

Investments shall be diversified by:

- Limiting investments to avoid over concentration in securities from a specific issuer, industry, or business sector, excluding U.S. Treasury obligations.
- Investing in securities with varying maturities.
- Continuously investing a portion of the investment portfolio in readily available funds such as local government investment pools, money market accounts, or money market mutual funds permissible under state statute.

## **REPORTING:**

The Village Treasurer shall present a periodic report on the investment program and investment activity to the Village Board. The management summary shall be prepared in a manner that will allow the Village Board to determine if investment activities during the reporting period conform to this Investment Policy.

## **POOLING OF CASH:**

Except where otherwise provided by the Village Board, the Village Treasurer is authorized to pool the cash of the funds identified in this policy to maximize investment earnings where it is advantageous and prudent to do so. Investment income will be allocated to the various funds based on the pro rata portion of each fund.

## **ADOPTION AND APPROVAL:**

By resolution, the Investment Policy shall be formally approved and adopted by the Village Board and reviewed as needed but at least every two years.

## **LIST OF ATTACHMENTS:**

The following documents, as applicable, are attached to this policy:

- Relevant Wisconsin statutes and local ordinances
- List of authorized personnel
- List of authorized public depositories, financial institutions, and broker/dealers
- Internal Procedure – Wire Fund Transfers and Wire Transfer Request Form

**Appendix A - List of authorized personnel**

Jen, Keller, Village Administrator  
Darlene Smith, Village Treasurer

**Appendix B – State Statute 66.0603 Investments**

**66.0603 Investments.**

(1g) DEFINITION. In this section, "governing board" has the meaning given under s. 34.01 (1) but does not include a local exposition district board created under subch. II of ch. 229 or a local cultural arts district board created under subch. V of ch. 229.

**(1m) INVESTMENTS.**

(a) A county, village, town, school district, drainage district, technical college district or other governing board, other than a local professional football stadium district board created under subch. IV of ch. 229, may invest any of its funds not immediately needed in any of the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in this state.

2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government.

3. Bonds or securities of any county, village, drainage district, technical college district, village, town or school district of this state.

3m. Bonds issued by a local exposition district under subch. II of ch. 229.

3p. Bonds issued by a local professional baseball park district created under subch. III of ch. 229.

3q. Bonds issued by a local professional football stadium district created under subch. IV of ch. 229.

3s. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.

3t. Bonds issued by a local cultural arts district under subch. V of ch. 229.

3u. Bonds issued by the Wisconsin Aerospace Authority.

4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating which is the highest or 2nd highest rating category assigned by Standard & Poor's corporation, Moody's investors service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.

5. Securities of an open-end management investment company or investment trust, if the investment company or investment trust does not charge a sales load, if the investment company or investment trust is registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, and if the portfolio of the investment company or investment trust is limited to the following:

a. Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.

b. Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.

c. Repurchase agreements that are fully collateralized by bonds or securities under subd. 5. a. or b.

**Appendix C - List of authorized public depositories, financial institutions, and broker/dealers**

Westbury Bank  
State of Wisconsin Local Government Investment Pool (LGIP)  
Ehlers Investment Partners LLC  
Pershing Advisor Solutions LLC

## **Village of Jackson**

### **Purchasing Authority Policy and Procedures**

#### **PURPOSE:**

The purpose of this policy is to provide Village of Jackson personnel and elected officials with guidelines and directions for the acquisition of goods and services. When used with good judgement and common sense, the policies and procedures conveyed within will allow the Village to obtain required supplies and services efficiently and economically, while assuring adequate internal controls and purchasing authority.

Employees as well as non-employees who carry out the functions of the various Village Boards, Committees, and Commissions, are expected to read this policy and provide the Treasurer's Office with feedback regarding the policies and procedures contained within. This policy is designed to be a fluid document and will be modified from time to time to conform with changes in legislation, technology, and actual practice.

The Village Administrator, or his/her designee, shall be the final authority with regards to enforcement of any of the provisions of this policy. Failure to follow the procedures outlined in this policy may lead to disciplinary action in accordance with the provisions of the Village of Jackson Employee Handbook.

#### **CODE OF ETHICS:**

All Village personnel engaged in purchasing and related activities shall conduct business dealings in a manner above reproach in every respect. Transactions relating to expenditure of public funds require the highest degree of public trust to protect the interest of the Village and the residents of Jackson. Village representatives, including elected officials, appointed officials, and employees, shall strive to:

1. Ensure that public money is spent efficiently and effectively and in accordance with statutes, regulations, and Village policies.
2. Always maintain confidentiality.
3. Not accept gifts or favors from current or potential suppliers, which might compromise the integrity of their purchasing function.
4. Specify generic descriptions of goods whenever possible in lieu of brand names when compiling specifications.
5. Never allow purchase orders for identical goods or services to be split or variations to Village Board approvals to be made to circumvent established policy.
6. Purchase without favor or prejudice.
7. Ensure that all potential supplies are provided with adequate and identical information upon which to base their offer or quotation and that any subsequent information is made available to all bidders.
8. Establish and maintain procedures to ensure that fair and equal consideration is given to each offer or quotation received. Selection is based upon merit and ability to complete task. Cost will be considered but not the limiting factor.
9. Offer a prompt and courteous response to all inquiries from potential or existing suppliers excluding solicitors.

It will be the responsibility of the Village Administrator to determine if a violation of this Code of Ethics has occurred and if disciplinary action is necessary.

#### **CONFLICT OF INTEREST POLICY:**

Except as may be disclosed to and permitted by the Village Board, it shall be a breach of ethical standards for any Village Representative, including elected officials, appointed officials, and



employees, to participate directly or indirectly in the purchasing process when the Village representative knows that:

1. The Village representative, the Village Representative's partner, or any member of the Village Representative's immediate family holds a position with a bidder, offeror, or contractor such as an officer, director, trustee, partner, or the like, or is employed in a capacity involving personal and substantial participation in the procurement transaction, or owns or controls an interest in the company; or
2. The Village Representative, the Village Representative's partner, or any member of the Village Representative's immediate family has a financial interest arising from the procurement transaction; or
3. The Village Representative, the Village Representative's partner or any member of the Village Representative's immediate family is negotiating or has an arrangement concerning prospective employment with a bidder, vendor, or contractor.

The Village Representative's immediate family shall be defined as a spouse, children, partners, brothers, sisters, and any other person living in the same household as the Village Representative.

It shall be the responsibility of the Village Administrator to determine if a violation of this Conflict-of-Interest policy has occurred and if disciplinary action is necessary.

#### **GIFTS, GRATUITIES AND CONTRIBUTIONS:**

Village representatives, including elected officials, appointed officials, and employees, should be aware that offers of gratitude from vendors could be designed to compromise objective judgement in product or service selection. Accordingly, it is the Village policy to observe the highest standard of ethics and to shield the Village representatives and the vendor from any suggestion or appearance of conflict of interest.

No Village representative shall permit any influence by vendors, which could conflict with the best interest of the Village or prejudice the Village's reputation. Expenditures of Village funds to vendors shall not by intention personally benefit any Village representative. Village representatives shall strive to adhere to the following guidelines:

1. Tangible gifts or gratuities shall not be accepted where their value suggests something more than merely a social gesture. Such gifts should be immediately returned to the Village Administrator's office for return with an appropriate statement explaining Village policy. Promotional or advertising items of nominal value such as key chains, pens, calendars, or holiday cookies and candy are acceptable. Promotional gifts that are capable of being shared, such as a box of cookies, shall be shared within the office or department where the recipient works.
2. Association with vendor representatives as business meals or business organization meetings is occasionally necessary and is neither questionable nor unethical, provided the individual keeps himself/herself free of obligation.
3. Personal loans of money or equipment are not to be accepted from a vendor or an individual associated with a vendor doing business with the Village.
4. Corporate discounts granted to Village officials or employees are acceptable only if they are offered to all Village officials, employees, and other corporate clients of the vendor.
5. Any person, firm, corporation or other legal entity, or any owner thereof is prohibited from making donations or contributions that total two hundred dollars or more to a Village representative, a Village's representative's political campaign, or officials of any organization supporting said Village representative. Any person, firm, corporation or other legal entity, or any owner thereof that has violated this provision shall be prohibited from supplying or providing the Village, either directly or indirectly, unless the provision of services was pursuant to the competitive bidding process and the contributor was the lowest responsible bidder.

If any doubt about the propriety of accepting a gift or contribution, the matter should be referred to the Village Administrator.

### **PURCHASING AUTHORITY:**

All purchases shall require approval from the appropriate Supervisor, Department Head, Treasurer, Village Administrator, or the Village Board in accordance with the following guidelines:

| <b><u>Dollar Limits</u></b> | <b><u>Required Approval</u></b>                                                    |
|-----------------------------|------------------------------------------------------------------------------------|
| Under \$10,000              | Supervisor or Department Head                                                      |
| \$10,001 - \$24,999         | Supervisor or Department Head, and Treasurer                                       |
| \$25,000 - \$49,999         | Supervisor or Department Head, Treasurer, and Village Administrator                |
| \$50,000 and above          | Supervisor or Department Head, Treasurer, Village Administrator, and Village Board |

Any person responsible for approving purchases at any level may delegate their approval authority to a designee in the event they are unavailable to approve purchases.

### **PROCUREMENT METHODS:**

#### **1. Invoice Approval**

Small purchases of goods or services less than \$10,000 and certain required or routine payments do not require a formal purchase order. Examples include utility payments, payments in accordance with Intergovernmental Agreements, and payments in accordance with approved Village contracts. The payment of the invoice is subject to the purchasing authority approval outlined in this policy. Invoice approval is documented in the financial software system.

#### **2. Purchase Order**

Except for purchases under \$25,000, certain required or routine payments, all other purchases shall require the issuance of a regular purchase order to the vendor before an order for goods or services is filled. Approval of the purchase order is subject to the purchasing authority outlined in this policy.

#### **3. Credit Card**

The Village Credit Card Program is intended to streamline and simplify purchasing and payment procedures by consolidating supplier invoices and eliminating form processing.

#### **4. On-Line Purchasing**

The internet may be utilized for on-line purchasing as a tool for obtaining favorable pricing, preferred products/services and securing expedited procurement.

On-line purchasing is subject to all requirements of this policy and is not to be used for means other than allowed by this policy. On-line purchasing shall be subject to the pricing authority requirements outlined in this policy.

On-line purchases are to be made preferably utilizing a Village issued credit card. Situations when an employee utilizes their own credit card to make a purchase on behalf of the Village are subject to pre-approval of the employee's Department Head. Such pre-approved purchases will be reimbursed directly to the employee through the Village's Payroll process. The employee must obtain a receipt or other form of documentation substantiating the on-line purchase to be reimbursed.

#### **5. Petty Cash**

Petty cash is to be used to reimburse employees for Village expenses which the employee incurs up front and for small purchases which are handled most efficiently in this manner. The following restrictions apply:



- a) Individual petty cash purchases are limited to one hundred dollars (\$100.00). Purchases over this limit must be reimbursed through the regular payroll process.
- b) Employees must prepare a petty cash voucher which is approved by the Department Head.
- c) Receipts documenting the expense must be attached to the petty cash voucher.
- d) If an advance is given out of petty cash, a request form is filled out noting the amount of the advance along with the GL code and must be signed by the employee receiving the advance.

## **COMPETITIVE QUOTES AND/OR BIDS:**

### **1. General Purchasing**

It is the intent of this policy to obtain the most cost-effective price available for purchases through competitive pricing. Employees are responsible for obtaining quotes for purchases in the instances outlined below:

| <b><u>Dollar Limits</u></b> | <b><u>Quote/Bid Requirement</u></b>                                                                                                                                                                                                               |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Up to \$10,000              | One verbal quote is sufficient. If the nature of the purchase is repetitive (i.e., monthly), pricing does not need to be obtained every time, but should be reviewed annually. Employees are encouraged to seek additional pricing when possible. |
| \$10,001 - \$24,999         | Two verbal quotes required.                                                                                                                                                                                                                       |
| \$25,000 - \$49,999         | Two written quotes required.                                                                                                                                                                                                                      |
| \$50,000 and above          | Must be competitively bid in accordance with State law and Village ordinances. Formal bid or RFP process required. Village Board approval is required.                                                                                            |

The Village Administrator has discretion to make budget adjustments for non-budgeted items up to \$50,000 if the item does not increase the bottom line of the budget. Amendments over this amount, or which will increase the total amount of the budget, must be brought before the Village Board for approval. Documentation of any amendment of \$25,000 or more shall be communicated to the Village Board in advance.

Any goods or services purchased at a negotiated or Government rate via Sourcewell or VendorNet are not subject to the quote and bid requirements as listed above.

### **2. Sole Source Purchases**

Contracts for parts, supplies or equipment that are available only from a single source are referred to as sole source purchase. Sole source procurements may arise from the following circumstances:

- a) Equipment for which there is no comparable competitive product or is available only from one supplier.
- b) Public utility services from natural or regulated monopolies.
- c) A component or replacement part for which there is no commercially available substitute, and which can be obtained only from the manufacturer.
- d) An item where compatibility is the overriding consideration, such as computer software.
- e) An item used, for example, a television transmitter tower, that becomes immediately available and is subject to prior sale.

These items shall not be subject to requirements for seeking competitive quotes or bids. The purchase requisition should include documentation of the reason quotes were not obtained. Purchases are subject to purchasing approvals as outlined in this policy prior to acquisition. Purchases more than \$50,000 shall be presented to the Village Board prior to acquisition with a request to waive bids in addition to approval of the purchase order.

3. Professional Service Contracts

Professional service contracts are contracts for services of individuals processing a high degree of a specific professional skill and, as such, are also not considered adaptable to competitive bidding. Professional service contracts can be procured through the Request for Proposal (RFP) process, Request for Qualifications (RFQ) process, or through negotiation with a single source when only one known source can perform the services required or when it is deemed to be in the best interest of the Village based on previous service provided, experience with Village equipment, or operations.

All professional service contracts, regardless of amount, are required to include, at the time of request for proposal, a request for a certificate of insurance evidencing professional liability (errors and omissions) insurance in addition to normal insurance requirements. All professional service contracts which are ongoing or for a one-time service for an amount greater than \$10,000 should be reviewed by the Village Administrator, if needed by the Village Attorney, and are subject to the approval requirements outlined in this policy.

4. Emergency Purchases

Emergencies are defined as events that could not have been foreseen where immediate action is necessary to safeguard the public's health and safety. In the event of an emergency affecting the public health and safety, the Village Administrator or designated Department Head may authorize a vendor to perform work necessary to resolve such emergency without formal bid solicitation. Documentation of the emergency and the need for immediate action shall be communicated to the Village Board in a reasonable period following resolution of the crisis. Emergency purchases of \$50,000 or more will be presented retroactively to the Village Board for approval.

5. Use of Sales Tax Exemption

Village purchases are not subject to sales tax and exemption forms may be obtained from the Treasurer's office. Employees shall provide vendors a sales tax exemption form when required. Use of the Village's sales tax exemption number is restricted to purchase made on behalf of the Village.

**FORMAL BIDDING PROCESS:**

All purchases of goods and services of \$50,000 or more shall be subject to the competitive bidding process and shall be let, by free and open competitive bidding after advertisement, to the lowest responsible bidder or any other bidder whom the Village Board deems to be in the interest of the Village. The requirement for competitive sealed bids may be waived by a two-thirds vote of the Village Board.

1. Invitation to Bid

The Village initiates the formal bid process by describing the project to be bid, cost estimates, amount budgeted and time schedule for both the bidding and completion of the project. Detailed specifications are prepared and, if required, a "Bid Notice" shall be published on the Village Website and at least one newspaper a minimum of two weeks prior to the time designated for the opening of bids. An invitation to bid is mailed out to qualified bidders with experience working on Village projects. All invitations to bid shall be reviewed by the Village Administrator prior to being issued.

2. Bid Opening

Qualified bids shall be evaluated based on the requirements described in the invitation to bid, which may include criteria to determine acceptability such as inspection, testing, quality, workmanship, delivery, and suitability for a specified purpose. No criteria may be used in bid evaluation that is not set out in the invitation to bid. At no time should any information be made available to any prospective bidder which is not available to all prospective bidders.

# Village of Jackson

## Fund Balance Policy

### **PURPOSE:**

To seek to maintain a stable financial environment for the Village of Jackson's operations that allows the Village to provide quality services to residents in a fiscally responsible manner designed to keep services and taxes as consistent as possible over time. This fund balance policy is meant to serve as the framework upon which consistent operations may be built and sustained.

### **OBJECTIVES:**

The intent of this policy is to seek to avoid unanticipated, one-time expenditures, or revenue reductions resulting from external changes; to ensure funds are available as necessary to allow the Village to respond to unforeseen emergencies; to establish and maintain a pay as you go capital improvement fund attempting to minimize the need for long-term debt; to provide sufficient working capital to eliminate the need for short-term borrowing due to the timing of the receipt of short-term receivables and the remittance of short-term payables; to comply with GASB 54 while achieving the purpose as described above.

### **POLICIES:**

- Non-spendable Fund Balance  
At the end of each fiscal year, the Village will report the portion of the fund balances that is not in spendable form as Non-spendable Fund Balance on the financial statements
- Spendable Fund Balance  
Categories should be supported by actual plans approved by either the governing body, an appropriate officer, grant providers or enabling legislation.
  - Restricted Fund Balance  
At the end of each fiscal year, the Village will report "Restricted" fund balance for amounts that have applicable legal restrictions per GASB #54. In addition, encumbrances or funds restricted by enabling legislation will be reposted as "restricted".
  - Committed Fund Balance  
Prior to the end of each fiscal year, the Village will report "Committed" fund balance for long-term loan receivables such as advances to other funds and similar accounts.
  - Assigned Fund Balance  
At the end of each fiscal year, the Village will report "Assigned" fund balance for capital improvements according to the Village's Capital Improvement Plan.
  - Unassigned Fund Balance  
A minimum Unassigned Fund Balance equal to 35% and a maximum Unassigned Fund Balance equal to 75% should be maintained of total General Fund Expenditures. Should the actual amount designated for Unassigned Fund Balance fall below the desired minimum, the Village shall create a plan to restore the appropriate levels. Should the actual amount designated for Unassigned Fund Balance rise above the desired maximum, any excess funds will remain undesignated pending the Board's final decision concerning transfer to another fund. It is the policy of the Village that such excess funds will be, by Board action, reported in the spendable category of this policy. Any budget revision that will result in the Unassigned Fund Balance dropping below the minimum level will require the approval of 2/3 vote of the Village Board.

- Classifying Fund Balance Amounts

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last, unless the Village Board has provided otherwise in its commitment or assignment actions.

- Authority to Commit Funds

The Village Board has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of an ordinance by a simple majority of the Board. The passage of an ordinance must take place prior to December 31st of the applicable fiscal year. If the actual amount of the commitment is not available by December 31st, the ordinance must state the process or formula necessary to calculate the actual amount as soon as information is available.

- Authority to Assign Funds

Upon passage of the Fund Balance Policy, authority is given to the Village Administrator to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the municipalities' governing board as soon as possible. The Village Board has the authority to remove or change the assignment of the funds with a simple majority vote. The Village Board has the authority to set aside funds with the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

- Surplus Use

At the end of each fiscal year, it is the intent of the Village to use all surpluses generated to meet the objectives of this policy. To this end, any surpluses realized in the general fund at year end shall be used first to meet fund balance policies as set forth above. If such fund balances are healthy, as determined by the Village Administrator, excess surplus will then be used for the following purposes, listed in priority order:

- Capital Improvement

After the Cash Flow and Contingency fund balance have been satisfactorily met, up to 60 percent of excess surplus may be set aside to provide the cash necessary to administer the Capital Improvement Fund. Prior to any funds being transferred, a simple majority of the Board must approve the allocation by resolution. (Additional surplus, above the aforementioned 60 percent, may be allocated to Capital Improvement, however consideration for Retirement or Refinancing of Existing Debt should be made prior to exceeding that amount).

- Retirement or Refinancing of Existing Debt

Any excess surplus remaining after Capital Improvement has been met may be used to pay principal on existing debt obligations as approved by a simple majority of the Board via resolution.

- Variation from Surplus Use Policy

If this policy does not properly address the current needs of the Village at the time of implementation, the Board may consider alternative uses of surplus funds by modifying this document via resolution, approved by a simple majority of the Board.

- Periodic Review

This policy will be reviewed annually by staff following each fiscal year audit or sooner at the direction of the Village Board.

## APPENDIX A

### DEFINITIONS:

Fund Balance – The difference between assets and liabilities in governmental funds. The Fund Balance consists of five categories: 1- ‘Non-spendable’ and 4 - Spendable: ‘Restricted’, ‘Committed’, ‘Assigned’ and ‘Unassigned’.

- Non-spendable Fund Balance – Describes the amount of a fund balance that cannot be spent because it is either not in spendable form or there is a legal or contractual requirement for the funds to remain intact. Examples include inventory, prepaid amounts, and land.
- Spendable Fund Balance – Describes the amount of fund balance that is available for appropriation based on the constraints that control how specific amounts can be spent. Typically, a significant portion of a government’s spendable resources can be spent only for specified purposes. The following categories define the revenue source and the level of force of the constraint on spending.
  - Restricted Fund Balance – The restricted fund balance category includes the portion of the spendable fund balance that reflects constraints on spending because of legal restrictions stipulated by outside parties (e.g., encumbrances for goods or services with outside parties-creditors, grantors outstanding at the end of the year). Also, any legal restrictions based on state statutes or grant requirements placed on the use for specific purposes. Examples include debt service funds, grant funds and impact fees.
  - Committed Fund Balance – The committed fund balance classification includes the portion of the spendable fund balance that reflects constraints that the Village has imposed upon itself by a formal action of the Village Board (for example, an ordinance passed by a Village Board). This constraint must be imposed prior to year-end but the amount can be determined later. Examples include capital expenditures, construction, and improvements under contract.
  - Assigned Fund Balance – The assigned fund balance is the portion of the spendable fund balance that reflects funds intended to be used by the Village for specific purposes assigned by more informal operational plans (e.g., capital goods replacement - the constraint on use is not imposed by external parties or by formal Board action). In Village funds other than the general fund (capital improvement funds and debt service funds), assigned fund balance represents the amount that is not restricted or limited. Examples are capital projects or equipment purchases.
  - Unassigned Fund Balance – This is the residual classification for the Villages’ General Fund and includes all spendable amounts not contained in the other classifications and, therefore, not subject to any constraints. Unassigned amounts are available for any purpose. These are the current resources available for which there are no Village self-imposed limitations or set spending plan. Although there is generally no set spending plan for the unassigned portion, there is a need to maintain a certain funding level. Unassigned fund balance is commonly used for emergency expenditures not previously considered. In addition, the resources classified as unassigned can be used to cover expenditures for revenues not yet received. Examples are funds held as working capital and for emergencies.