

FUND BALANCE POLICY
Approved: April 14, 2026

Policy Statement:

The objective of the Fund Balance Policy is to get guidelines for the control and reporting of all of the Town's fund balance assignments. An adequate fund balance level is an essential element in both short-term and long-term financial planning. Maintenance of sufficient levels of fund balance enables the Town to stabilize funding for operations and stabilize taxes and fees.

Reasons for Policy:

The Town's Fund Balance establishes guidelines for preserving an adequate fund balance in order to sustain financial stability and to provide prudent management of the Town's financial reserves. It is essential that the Town maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen emergencies.

Definitions:

Fund Balance: The difference between assets and liabilities in a government fund.

Working Capital: Current assets less current liabilities.

Fund balance is categorized in five classifications, depicting the relative strength of the spending constraints placed on the purposes for which the resources can be used.

1. **Nonspendable:** Assets that will never be converted to cash (i.e. prepaid and inventories). Assets that will not convert to cash soon enough to affect the current period such as long-term portion of receivables and the nonfinancial assets held for resale such as land. Resources that must be maintained intact based on legal or contractual requirement such as principle of an endowment or the capital of a revolving loan fund.
2. **Restricted:** Funds constrained to specific purposes by their providers such as grantors, bondholders, and higher levels of government. Examples include but are not limited to other governments through laws and regulations. Grantors or contributors thru agreements. Creditors through debt covenants or other contracts. Creditors through debt covenants or other contracts. Enabling legislation that limits how a revenue can be used, i.e. gas tax for roads.

3. **Committed:** Funds in this classification are those with limitations the government places on itself. The purpose of these funds is decided by the Town Board and require action by the Town of Maple Grove Town Board to change their purpose.
4. **Assigned:** Assigned fund balance has limitations based on the intended use of the funds. The assigned use can be established by the Town of Maple Grove Board. Generally, the assigned balance will be used in the subsequent year's budget. The Board authorizes the Clerk- Treasurer to assign funds.
5. **Unassigned:** Unassigned fund balances amounts are for any purposed. If the general fund has net resources in excess of the other four categories that surplus is considered unassigned. For any fund where current years results in expenditures exceeding revenues, the deficit will first reduce unassigned fund balance, then assigned fund balance and finally to committed fund balance until exhausted. The order in which resources are to be used when any of these amounts are available for expenditures will be restricted, committed, assigned and then unassigned.

General Fund Balance:

An adequate general fund balance provides resources to maintain sufficient working capital to finance operating expenses without short-term borrowing for cash flow purposes. Temporarily finance Unanticipated expenditures or unusual fluctuations in the town's revenue sources.

Employee Benefits Fund Balance:

The Town of Maple Grove will seek to maintain the fund balance to adequately cover insurance, retirement and any other programs established for its employees.