

Town of Ocean View, Delaware

Fund Balance Policy

Unassigned Fund Balance

Purpose

This policy establishes an Unassigned Fund Balance threshold consistent with generally accepted governmental accounting principles. The purpose of Unassigned Fund Balance is to provide resources to meet unforeseen operating cost and emergency needs and to permit orderly adjustments to the Town's fiscal requirements resulting from changes in the Town's revenue sources, or experiences.

This policy is an addendum to the Fund Balance Policy approved by Town Council on April 10, 2012.

Applicability and Scope

This policy shall apply to the General Fund.

Definitions and Acronyms

General Fund

- Refers to the town's main operating fund that accounts for resource inflows and outflows for governmental activities along with all other activities that are not accounted for in some other fund

Unassigned Fund Balance

- Refers to the residual portion of the Fund Balance that is intended to provide stability in the event of unplanned occurrences

General Fund Expenditures

- Refers to the annual outflow of resources from the General Fund

Policy

Unassigned Fund Balance Thresholds

- The Unassigned Fund Balance shall be maintained each year equal to a minimum of two (2) months of the ensuing year's budgeted general fund expenditures, with a targeted maximum of four (4) months of the ensuing year's budgeted expenditures.

Cash Balance

- The adopted FY2026 budgeted operating budget totaled \$6,377,515. Two (2) months of General Fund Expenditures were approximately \$1,062,919. Although the exact amount of two (2) months' worth of General Fund Expenditures is bound to fluctuate as expenditures themselves do, the cash balance of the Unassigned Fund Balance shall remain at a minimum of approximately \$1,062,919, or whatever two (2) months' worth happens to amount to. Four (4) months of General Fund Expenditures were approximately \$2,125,838.

The audited FY2025 Unassigned Fund Balance totaled \$2,564,871.

Funding the Unassigned Fund Balance

- The Town’s annual budget surplus funds, and unencumbered sources of funds contribute to the General Fund Reserve.

Conditions for the Use of Unassigned Fund Balance

- Any expenditure requested by the Town out of the fiscal annual budget cycle is subject to the approval of Town Council. It is under the discretion of Town Council to determine whether the request warrants the use of the Unassigned Fund Balance.
- Staff shall demonstrate that the use of these funds will not result in a reduction in available funds lower than two (2) months’ reserve.

Determination / Replenishment of Unassigned Fund Balance

- Unassigned Fund Balance is determined annually at year-end close. It represents the residual, spendable and unconstrained resources available for any purpose.

Excess Unassigned Fund Balance

- If Unassigned Fund Balance should exceed four (4) months of General Fund Expenditures, they are to be reviewed as part of the annual budget process. If there is a one-time purchase or capital project in place to which the excess reserves may go to, then the unassigned fund balance shall be authorized by Town Council for use. If no such exists, the excess reserves shall remain in the Unassigned Fund Balance until one arises or is carried forward for use in future years.

Periodic Review of the Targets

- The targets, as mentioned above for the Unassigned Fund Balance, shall be reviewed every fiscal year during the budget planning process or whenever Town conditions indicate that a policy update is necessary. Any updates to the policy shall be subject to the approval of Town Council.

Adopted Date: _____

By: _____
Mayor, Town of Ocean View