

Town of Enfield Fund Balance Policy

Purpose

The Town Board of the Town of Enfield is responsible for the appropriate accounting of public funds, the sound management of municipal finances, and the adequate funding of services desired by the public. This fund balance policy is meant to help the Town maintain a prudent level of financial resources to provide essential services, maintain sufficient cash flow, and manage unanticipated occurrences.

In prior years, at the Highway Superintendent's request, the Town Board has authorized transfer of unexpended funds from each budget year to the Highway Equipment Capital Reserve Fund. For nine of the last ten years, at least \$10,000.00 has been allocated as Appropriated Fund Balance in the Highway (DA) Fund Annual Budget. This has left the Highway savings account/fund balance critically low, in that funds expected to be spent on CHIPS projects as agreed upon by the Town Board and Highway Superintendent in January of each year through the 284 Agreement cannot be funded fully without being in danger of working in a deficit.

Background

The New York State Office of the State Comptroller and the New York State Government Finance Officers Association recommend that local governments establish a policy to maintain reasonable levels of unexpended surplus funds in their General Funds to hedge against unanticipated expenditures and/or revenue shortfalls, without withholding funds that could otherwise be put to productive use.

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2009, which is intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied.

Definitions

GASB Statement No. 54 replaces the previous fund balance classifications with the following:

Non-spendable fund balance consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments. (Enfield relevant examples include consumable inventories such as road maintenance materials and fuel)

Restricted fund balance consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and

regulations of other governments, or through constitutional provisions or enabling legislation. (Enfield relevant examples include reserve funds and future bond proceeds)

Committed fund balance consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The New York State Office of the State Comptroller believes that in most cases, local governments in New York will not have committed fund balance to report. (An Enfield relevant example is decommissioning funds for energy projects.)

Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. (Enfield relevant examples include the Highway Fund, Cemetery savings and Justice Court Assistance Program grant savings.)

Unassigned fund balance represents the residual classification for the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or unassigned. (Enfield relevant examples include amount of surplus revenues over expenditures remaining that is not restricted or assigned in the General Fund, or deficit fund balance in all other funds.)

Policy

1. This policy shall apply to the Town's General Town-wide (A) Fund and the Highway (DA) Fund.
2. When resources are available from multiple classifications, the Town spends funds in the following order: restricted, committed, assigned, unassigned.
3. The Enfield Town Board is the decision-making authority that can commit fund balance. The action to commit fund balance must occur prior to the fiscal year-end in order to report such commitments in the financial statements of the respective period. The commitment may only be modified by a resolution authorized by the Town Board
4. The Town Supervisor has the authority to assign unrestricted fund balance amounts where the Town's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

5. Unexpended Surplus Funds

- a. For the purpose of this policy, unexpended surplus funds consist of Unappropriated Fund Balance.
- b. The Town shall strive to maintain unexpended surplus funds as follows:

Fund	Minimum	Maximum
A	<p style="text-align: center;">\$200,000.00</p> <p>To adequately manage first of the year obligations and unexpected expenditures.</p>	<p style="text-align: center;">\$225,000.00</p> <p>Any amounts above this limit shall be reserved for building or other needs, or to support DA fund policy goals.</p>
DA	<p>10% of Annual Expenditures plus 100% CHIPS Appropriations</p>	<p style="text-align: center;">\$250,000.00</p> <p>Any amounts over this limit shall be reserved for equipment needs.</p>

- c. The Town Supervisor shall report the amount and percentage of applicable fund unexpended surplus funds to the Town Board upon completion of the Annual Update Document each year.
- d. In the event that unexpended surplus funds exceed the maximum amounts set forth above, the excess may be utilized for any lawful purpose approved by the Town Board. In order to minimize the long term effect of such use, the excess should be appropriated to fund one-time expenditures which do not result in recurring operating costs, and/or be used to establish or increase reserves.
- e. All Unexpended (surplus) funds in DA5130.2 Machinery - Equipment and DA 5120.4 Bridge Repair – Contractual will be transferred into their own reserves;
- f. All other unexpended (surplus) funds may not be transferred to reserves or used for other purposes unless fund balance minimums have been met;
- g. In the event that unexpended surplus funds fall below the minimum amounts set forth above, the Supervisor shall make a recommendation to the Town Board to restore the balance to the minimum level in the next budget year or other appropriate period of time.

Review

This policy shall be reviewed by the Town Board on an annual basis.