

# Town of Duanesburg

## Fund Balance Policy

### Developed for GASB 54

#### *Purpose*

The Town Board of Duanesburg recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the town and is fiscally advantageous for both the town and the taxpayer. This policy establishes goals and provides guidance concerning the desired level of fund balance maintained by the town to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances.

#### *Definitions*

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

GASB Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

- 1) **Nonspendable fund balance** – amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
- 2) **Restricted fund balance** – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).
- 3) **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the Town Board. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the board's commitment in connection with future construction projects).
- 4) **Assigned fund balance** – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the Town Board or by a designee to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) **Unassigned fund balance** – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

## ***Policy***

The responsibility for designating funds to specific classifications shall be as follows:

**Committed Fund Balance** – The Town Board of Trustees is the Town’s highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

**Assigned Fund Balance** – The Town Supervisor, as Budget Officer, is authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

## ***Minimum Unassigned Fund Balance***

It is the goal of the town to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 70% of annual revenues [*or expenditures*]. If the unassigned fund balance at fiscal year end falls below the goal, the town shall develop a restoration plan to achieve and maintain the minimum fund balance.

## ***Order of Expenditure of Funds***

When multiple categories of fund balance are available for expenditure (e.g., a project is being funded partly by a grant, funds set aside by the Board, and unassigned fund balance), the town will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

## ***Reasons for fund balance***

The Town has experienced several costly events over the last several years that have cost the Town hundreds of thousands of dollars that were not budgeted for. We have had several natural disasters that caused severe damage to town roads and culverts in which the Town had to front funds for repair before being reimbursed from FEMA, which reimbursements can take a significant amount of time to process.

During the summer of 2018 the Town had an underground heating oil tank that was leaking removed and the cleanup cost in excess of \$160,000. The funds for that were not budgeted and were paid from fund balance.

The Town has also had recurring extensive costs associated with the establishment and continued operation of the Town sewer districts. These costs in some cases were required by the NYS Department of Environmental Conservation as part of the maintenance and upgrade of the sewage treatment facilities to meet newly imposed State or federal standards. While the Town has obtained grants and loans to cover some of these costs--the Town is typically required to front the money for the improvements and to seek reimbursement of the costs—a process that takes many months and which is rarely complete in one budget cycle.

The Town has been for the last several years pursuing the possibility of purchasing a building for a new town hall and town garage. We have looked at several locations and have contracted engineers to help develop plans to retrofit these buildings for future use as a town facility. The Town would agree to earmark the amount of at least \$20,000.00 to use for future exploration for these projects and upfront fees before financing is established if we agree to purchase a property.

The town has been recently replacing and updating our aging highway equipment and is preparing a plan to turn over equipment that is needed to be replaced. Having funds available in our fund balance will help bridge gaps in funding we will seek to purchase new equipment.