

Town of Augusta Fund Balance Policy

Purpose

The Town Board of the Town of Augusta 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 funds 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.

Background

The New York State Office of the 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 Definitions, 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:

Nonspendable fund balance consists of assets that are inherently nonspendable 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.

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.

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 the 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 balances to report.

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.

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.

Policy

1. This policy shall apply to the Town's Full Town General Fund, Part Town General Fund, Full Town Highway Fund and Part Town Highway Fund.
2. **When resources are available from multiple classifications, the Town spends funds in the following order: unassigned, assigned, committed, restricted.**
3. The Augusta Town Board is the decision-making authority that can commit the 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 financial statements.
5. Unexpended Surplus Funds
 - A. For the purpose of this policy, unexpended surplus funds consist of Assigned Unappropriated Fund Balance and Unassigned Fund Balance.
 - B. The Town shall strive to maintain unexpended surplus funds of not less than 35% and not more than 50% of the General Townwide, General Part Town, and Highway Townwide Funds adopted budget appropriations, excluding interfund transfers for fringe benefits.
 - C. The Town shall strive to maintain unexpended surplus funds of not less than 20% more than expected funding from the Consolidated Highway Improvement System (CHIPS) and not more than 40% more than expected CHIPS funding.
 - D. 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.
 - E. In the event that unexpended surplus funds exceed 50% of adopted budget appropriations, 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.

F. In the event that unexpended surplus funds fall below 35% of the adopted budget appropriations, the Budget Officer shall make a recommendation to the Town Board to restore the balance to the minimum level in the next budget year or the other appropriate period of time.

Review

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

Reviewed and Approved 4/17/2019

Reapproved 3/16/2022