

FUND BALANCE POLICY
TOWN OF WEST SENECA
Updated 7/20/15

Purpose

The following denotes the Town of West Seneca's policy for classifying fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The Town of West Seneca, New York (the "Town") has enacted this policy in an effort to ensure financial security through the maintenance of a healthy reserve fund that guides the creation, maintenance, and use of resources for financial stabilization purposes. The Town's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The Town also seeks to maintain the highest possible credit ratings which are dependent, in part, on the Town's maintenance of a healthy fund balance.

Definitions

Fund balance – The excess of assets/deferred outflows of resources over liabilities/deferred inflows of resources in a governmental fund.

Nonspendable fund balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

Restricted fund balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

Committed fund balance – Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority (i.e. Town Board); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned fund balance – Amounts a government intends to use for specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance – Amounts that are available for any purpose; these amounts are reported only in the General fund.

Policy Statement

The fund balance of the Town's General Fund and Highway Fund accumulates to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

The Town will maintain adequate fund balance in its General Fund and Highway Fund to provide flexibility and to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures), to ensure stable tax rates, to provide for one-time opportunities and to retain favorable credit ratings. The Town will endeavor to maintain an unrestricted fund balance in each, its General

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Fund and Highway Fund, of two months of regular General Fund and Highway Fund operating expenditures, respectively.

If the Town's unrestricted fund balance in its General Fund or Highway Fund fall below 10% of respective annual operating expenditures, the Supervisor, as Budget Officer of the Town, shall recommend decreasing the use of fund balance appropriated in the following year's budget, such that in his/her estimation over the course of no more than three years, the fund balance will be again within the level set by this policy. Further, the Town Board shall, with assistance from the Finance Department, prepare and approve a plan for restoration of the balance to the target level so that the target level is restored.

If the Town's unrestricted fund balance in its General Fund or Highway Fund fall above 10% of respective annual operating expenditures, the Supervisor, as Budget Officer of the Town, shall recommend increasing the use of fund balance appropriated in the following year's budget or the Town Board may use unrestricted fund balance during or outside of the budget process for onetime expenditures to meet unusual opportunities or to reduce the Town's debt in order to, in their estimation, meet this policy.

The Town board will periodically review the appropriateness of fund balance thresholds as described in this policy and update as deemed necessary.

The Town Board will allow the Supervisor to determine the proper amounts to be assigned to each type of fund balance for purposes as determined to be necessary.

The Town Board will allow the Supervisor to determine the amount to be assigned for capital asset replacements.

The Finance Department will set aside assigned or committed fund balances to cover the amount of outstanding purchase orders or encumbrances that have been authorized by the Town Board through the budget process.

Beginning in the year ended December 31, 2015, unassigned fund balance shall be any remaining amounts.

This policy may be amended from time to time by the Town Board.

The Town will spend the most restricted dollars before less restricted where such spending is appropriate and the legal restriction does not limit the use of such restricted amount for the particular purpose in question in the following order:

- a) Nonspendable (if funds become spendable)
- b) Restricted
- c) Committed
- d) Assigned
- 3) Unassigned