

TOWN OF CANANDAIGUA

FUND BALANCE POLICY

Adopted: September 18, 2017 – Resolution #2017 – 306
Previously Adopted: January 9, 2017 – Resolution #2017 – 039;
and August 17, 2015 by Resolution # 2015-193

PURPOSE

The purpose of a Fund Balance Policy is to ensure that there will be adequate liquid resources to serve as a financial cushion.

POLICY STATEMENT

The Town of Canandaigua finances will be managed so as to maintain balances of the various funds at levels sufficient to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures, ensure stable tax rates and user fees, and protect the Town's creditworthiness. To assure the appropriate level in all funds, the Town will maintain an Unrestricted Fund Balance of not less than 15% and no more than 60% of the average annual budget appropriations in each fund.

SPECIAL DISTRICTS OUTSIDE OF POLICY RANGE

Certain circumstances may justify unrestricted fund balance levels outside of the policy range in special districts. Instances where the special district fund balance level is outside the policy range, the Chief Fiscal Officer and/or Budget Officer shall report to the Town Board on the status of the district and justification for the unrestricted fund balance outside of the policy range. Unrestricted fund balance levels may exist outside the policy range for the following situations:

- Significant volatility in operating revenues or operating expenditures;
- Potential drain on resources due to planned and/or unexpected capital improvements to certain districts;
- Planned improvements in certain districts where the levy of taxes in one budget year would place an unnecessary financial burden on taxpayers; however, the levy of a stable tax rate over consecutive years in order to pay for a planned expenditure may result in unrestricted fund balance higher than the allowable policy range;
- Exposure to natural disasters, or emergency repair response;
- Reliance on a single corporate taxpayer or upon a group of taxpayers in the same industry that could experience a shift creating a substantial assessment change in the district;
- Rapidly growing budgets relating to expenditures for a special district;
- Disparities in timing between revenue collections and expenditures.

RESTORATION OF FUND BALANCE RANGE

Should the Fund balance for any fund exist outside the target range, the Bookkeeper will advise the Budget Officer and the Town Board. Working with the Town Board, the Bookkeeper and the Budget Officer will prepare a plan for restoration of the balance to the target levels and achieve the target level as soon as practicable within the next fiscal year.

REPORTING OF FUND BALANCE TO THE TOWN BOARD

The Chief Fiscal Officer and/or the Budget Officer shall report to the Town Board monthly on the status of all funds. The monthly fund balance report shall include the estimated fund balance for the fund, along with the minimum and maximum amounts allowable per the fund balance policy.

DEFINITIONS

Cash Balance: The sum of cash and the investment of an accounting fund.

Unrestricted Fund Balance: The total of the committed, assigned and unassigned fund balance.

Fund Balance: The difference between the assets and liabilities reported in a governmental fund. Fund balance is not the cash balance of the Town, the fund balance consists of other assets such as money due from the state and federal government, taxes receivable, and accounts receivable. Fund Balances are classified into various components depending on the limitations placed on the use of the funds. The hierarchy indicates the extent to which a government is bound to observe spending constraints that govern how it can use amounts reported in the governmental funds balance sheet. GASB Statement 54 established the following classifications depicting how specific amounts can be spent:

- **Nonspendable Fund Balance** includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).
- **Restricted Fund Balance** includes amounts that can be spent only for the specific purpose stipulated by external resources providers (for example, grant providers), constitutionally, or through laws or regulation of other governments.
- **Committed Fund Balance** includes amounts that can be used only for the specific purpose determined by a formal action of the Town Board (self-imposed limitation set in place prior to the end of the period). Commitments may be changed or lifted only by the Town Board taking the same formal action that imposed the constraint originally.
- **Assigned Fund Balance** comprises amounts intended to be used for specific purposes. Intent can be expressed by the Town Board. Encumbrances that are carried forward to the subsequent year are classified in the Assigned Fund Balance. It is the Assigned Fund Balance that is used to reflect the appropriation of a portion of the existing fund balance to eliminate a projected deficit in the subsequent year's budget.
- **Unassigned Fund Balance** is the residual classification for the general fund and includes all amounts not contained in the other classifications (i.e., surplus). Unassigned amounts are technically available for any purpose.