

TOWN OF OSWEGO

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Fund Balance Policy

Purpose

The Town of Oswego (the “Town”) has enacted the following policy 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.

Reserve funds (which essentially are a legally authorized savings account for specific purposes) are an important component in the Town's financial planning for specific expenses, future projects, acquisitions and other lawful purposes. To this end, the Town may establish and maintain reserve funds in accordance with New York State laws. The Town will also consider rules and/or opinions issued by the New York State Comptroller when they are not in conflict with law.

Town reserve funds must be properly established and maintained to promote the goals of creating an open, transparent and accountable use of public funds. The Town may engage independent experts and professionals, including but not limited to auditors, accountants and other financial and legal counsel, as necessary to monitor all reserve fund activity and prepare reports that the Town Board may require.

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.

Fund Balance Definitions

Fund Balance: Fund balance is the difference between the assets and liabilities reported in a governmental fund. Fund balance is not necessarily the cash balance of the Town. The fund balance consists of other assets as well such as money due from the state and federal government, 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.

The Town shall comply with the reporting requirements of Article 3 of General Municipal Law of the State of New York and the Governmental Accounting Standards Board (GASB) Statement Number 54, Fund Balance Reporting and Governmental Fund Types Definitions. GASB Statement Number 54 (first issued in 2001) established the following classifications depicting how specific amounts can be spent:

- **Non-spendable** fund balance consists of amounts that are not in a spendable form 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, and financial assets held for resale.
- **Restricted** fund balance consists of amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; 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.
- **Committed** fund balance consists of amounts that are subject to a purpose constraint imposed by a formal action of the Town Board before the end of the fiscal year, and that require the same level of formal action to remove the constraint.
- **Assigned** fund balance consists of amounts a government intends to use for a 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 consists of 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 has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

The objective is to maintain an unrestricted fund balance of not less than 15% of annual appropriations for the fiscal year.

Town 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. The decision to retain an unrestricted fund balance of not less than 15% of fund appropriations stems from the following:

- This amount provides adequate funding to cover approximately two months of expenditures;
- This amount provides the liquidity necessary to accommodate the Town's uneven cash flow, which is inherent in its periodic tax collection schedule; and
- This amount is consistent with guidelines suggested by the NYS Comptroller's office and the Government Finance Officers Association.

The Town Board will set aside certain amounts as committed fund balance. Amounts are to be determined by the Town Supervisor based on the need for extraordinary operating capital that could not be anticipated and cannot be funded with current budget resources.

The Town Supervisor will set aside committed fund balances equal to the amount of outstanding purchase orders or encumbrances.

The Town Board delegates to the Town Supervisor the authority to determine the proper amounts to be assigned for purposes as are deemed necessary. This would provide the liquidity to respond to contingent liabilities and provide for capital asset replacements.

Effective as of the year ending December 31, 2017, the unassigned fund balance shall be any remaining amounts left within the General Fund.

The Town will spend, as allowed and available, the most restricted dollars before less restricted in the following order:

- a) Non-spendable (if funds become spendable)
- b) Restricted
- c) Committed
- d) Assigned
- e) Unassigned

Should the fund balance reach an upper limit of 20% after the year end books have been balanced and closed; the amount over 15% will be applied in the following order:

- a) Applied to debt
- b) Deposited into a reserve fund based on the Five Year Plan
- c) Balance the following year budget

The Town will be mindful of its role and responsibility as a fiduciary of public funds when acting on reserve fund issues.

This policy will be reviewed annually in February.

This policy has been adopted March 13, 2018