

## **Township of Byram Fund Balance Policy**

### **Purpose of Fund Balance:**

- Ensure Township maintains adequate Fund Balance reserve levels.
- Establish a fund balance policy to insure against unanticipated events that will adversely affect the financial position of the Township.
- Provide stable financial environment for the Township's operations.
- Serve as a framework upon which consistent operations may be built and sustained.
- Provide guidelines for the use and maintenance of Fund Balance.
- Maintain adequate level of Fund Balance to manage financial risks that may occur from unforeseen revenue fluctuations, unanticipated expenditures, State of New Jersey policy decisions and other circumstances.

### **Definitions:**

**Fund Balance:** Fund Balance is the difference between its current assets, including cash, short-term investments, inventories, receivables and other assets expected to be available to finance operations in the immediate future and its current liabilities. A positive difference of current assets over current liabilities gives an indication of the resources immediately available to finance ongoing operations.

**Surplus:** Surplus is another term used interchangeably with Fund Balance. Surplus by definition is a term that suggests excess or the amount that remains when the need is satisfied. It gives the impression that it is unnecessary. The Township does not support the use of the surplus, but various State documents require the reporting of the Township's Fund Balance as Surplus.

The general guidelines for Fund Balance are subjective and some proposed benchmarks include: one month of payroll costs, one month of budgeted expenses and one month of the total levy. Another common standard is five percent of annual operating expenditures or anywhere from one month's operating expenditures to three month's expenditures.

Each year the Township dedicates Fund Balance to the municipal budget and for the years 2007 – 2013, Fund Balance averaged 11.4% of the total revenues. For the period 2013 – 2017 Fund Balance averaged 12% of the total revenues. When anticipated revenues decline, there is a tendency to rely on more Fund Balance to balance the budget. The increase in expenses also contributes to the usage of more fund balance.

It is important to regenerate Fund Balance each year. Fund Balance is accumulated from budget revenues in excess of anticipated amounts, excess receipts of delinquent taxes, budget revenues received that were not anticipated, cancelling of appropriation reserves, and added and omitted taxes collected for when construction improvements are deemed completed by the Tax Assessor. Each has been a challenge each year to replenish the Fund Balance with declining revenues and costs escalating.

## FUND BALANCE 15 YEAR HISTORY

	Beginning Balance as of Dec. 31 (Prior Year)	Revenues Committed to Current Year Budget	Unassigned Fund Balance	Fund Balance Regenerated Current Year	Year Ending Fund Balance
2005	\$ 1,476,033.01	\$ 1,041,505.00	\$ 434,528.01	\$ 1,051,381.97	\$ 1,485,909.98
2006	1,485,909.98	991,000.00	494,909.98	1,201,120.46	1,696,030.44
2007	1,696,030.44	991,000.00	705,030.44	1,082,422.87	1,787,453.31
2008	1,787,453.31	1,035,142.00	752,311.31	1,226,800.57	1,979,111.88
2009	1,979,111.88	1,138,142.00	840,969.88	1,087,216.41	1,928,186.29
2010	1,928,186.29	1,138,142.00	790,044.29	1,231,110.08	2,021,154.37
2011	2,021,154.37	1,200,102.00	821,052.37	1,118,582.53	1,939,634.90
2012	1,939,634.90	1,240,102.00	699,532.90	1,236,788.63	1,936,321.53
2013	1,936,321.53	1,240,102.00	696,219.53	1,285,288.94	1,981,508.47
2014	1,981,508.47	1,240,102.00	741,406.47	1,527,430.54	2,268,837.01
2015	2,268,837.01	1,340,102.00	928,735.01	1,257,016.71	2,185,751.72
2016	2,185,751.72	1,370,102.00	815,649.72	1,515,542.86	2,331,192.58
2017	2,331,192.58	1,370,102.00	961,090.58	1,615,972.60	2,577,063.18
2018	2,577,063.18	1,470,102.00	1,106,961.18	1,619,732.90	2,726,694.08
2019	2,726,694.08	1,610,500.00	1,116,194.08		1,116,194.08

\*See Annual Audit

## FIVE YEAR TREND OF FUND BALANCE REGENERATION

<u>Excess/Deficit</u>	2018	2017	2016	2015	2014
Misc Revenue	\$ 46,042.41	\$ (34,709.67)	\$ 53,365.63	\$ (473,949.63)	\$ 41,726.87
Recpt from Delinquent Taxes	102,955.07	198,446.70	183,946.12	229,909.79	207,587.19
Amt to be Raised	584,411.70	639,814.30	638,880.19	537,062.45	512,468.86
Misc. Revenue Not Anticipated	158,800.48	207,533.59	314,381.11	155,233.52	317,294.13
	<b>\$ 892,209.66</b>	<b>\$1,011,084.92</b>	<b>\$1,190,573.05</b>	<b>\$ 448,256.13</b>	<b>\$1,079,077.05</b>
Appropriation Reserve Lapsed	\$ 726,836.49	\$ 594,787.74	\$ 421,615.68	\$ 790,626.32	\$ 550,554.64
Fund Balance Regenerated Prior to Allocation to Reserve Accounts	<b>\$1,619,046.15</b>	<b>\$1,605,872.66</b>	<b>\$1,612,188.73</b>	<b>\$1,238,882.45</b>	<b>\$1,629,631.69</b>
Fund Balance Regenerated During Current Year	<b>\$1,619,732.90</b>	<b>\$1,615,972.60</b>	<b>\$1,515,542.86</b>	<b>\$1,257,016.71</b>	<b>\$1,527,430.54</b>