

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 averages 11.4% 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 10 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 |
|------|---|--|-------------------------------|---|-----------------------------|
| 2003 | \$1,745,813.00 | \$1,020,000.00 | \$725,813.00 | \$991,338.00 | \$1,717,151.00 |
| 2004 | \$1,717,151.00 | \$1,100,000.00 | \$617,151.00 | \$858,882.00 | \$1,476,033.00 |
| 2005 | \$1,486,033.00 | \$1,041,505.00 | \$444,528.00 | \$1,051,382.00 | \$1,495,910.00 |
| 2006 | \$1,485,910.00 | \$991,000.00 | \$494,910.00 | \$1,201,120.00 | \$1,696,030.00 |
| 2007 | \$1,696,030.00 | \$991,000.00 | \$705,030.00 | \$1,082,423.00 | \$1,787,453.00 |
| 2008 | \$1,787,453.00 | \$1,035,142.00 | \$752,311.00 | \$1,226,801.00 | \$1,979,112.00 |
| 2009 | \$1,979,112.00 | \$1,138,142.00 | \$840,970.00 | \$1,087,216.00 | \$1,928,186.00 |
| 2010 | \$1,928,186.00 | \$1,138,142.00 | \$790,044.00 | \$1,231,110.00 | \$2,021,154.00 |
| 2011 | \$2,021,154.00 | \$1,200,102.00 | \$821,052.00 | \$1,118,583.00 | \$1,939,635.00 |
| 2012 | \$1,939,635.00 | \$1,240,102.00 | \$699,533.00 | \$1,236,789.00 | \$1,936,322.00 |
| 2013 | \$1,936,322.00 | \$1,240,102.00 | \$696,220.00 | | |

FIVE YEAR TREND OF FUND BALANCE REGENERATION

| <u>Excess/Deficit</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Misc Revenue | \$74,816.31 | \$79,443.77 | -\$15,770.85 | \$29,376.44 | -\$182.29 |
| Receipts from Delinquent Taxes | \$256,567.50 | \$267,758.76 | \$223,561.08 | \$240,714.87 | \$188,324.40 |
| Amt to be Raised | \$473,498.08 | \$514,395.23 | \$471,770.68 | \$490,653.48 | \$655,769.87 |
| Misc. Revenue Not Anticipated | \$221,974.17 | \$127,666.86 | \$144,606.72 | \$140,393.41 | \$87,999.35 |
| | \$1,026,856.06 | \$989,264.62 | \$824,167.63 | \$901,138.20 | \$931,911.33 |
| Appropriation Reserve Lapsed | \$363,417.44 | \$487,334.33 | \$376,643.81 | \$253,882.26 | \$340,521.02 |
| Other Credits & Debits to Fund Balance | -\$153,484.50 | -\$358,015.95 | \$30,298.56 | -\$67,804.46 | -\$45,631.35 |
| Fund Balance Regenerated During Current Year | \$1,236,789.00 | \$1,118,583.00 | \$1,231,110.00 | \$1,087,216.00 | \$1,226,801.00 |