

Fund Balance?

FINANCE COMMITTEE PUBLIC FORUM
NOVEMBER 16, 2023



What is fund balance for governments?

Assets - Liabilities
= Fund balance

5 Classifications 

Nonspendable
Restricted
Committed
Assigned
Unassigned

- ▶ **Nonspendable** – resources which cannot be spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact
- ▶ **Restricted** – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- ▶ **Committed** – resources which are subject to limitations the Town imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner. The Town Council is the highest level of decision making authority, and can commit fund balance by ordinance.
- ▶ **Assigned** – resources neither restricted nor committed for which the Town has a stated intended use as established by the Town Council or a body or official to which the Town Council has delegated the authority to assign amounts for specific purposes. The Town Council has a fund balance policy that requires certain items to be classified as assigned. Further, the policy gives discretion to the Town Manager and Finance Director to make assignments as they deem appropriate in their professional judgment.
- ▶ **Unassigned** – resources which cannot be properly classified in one of the other four categories. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Another way to think of it -- for a household...

Fund balance is your personal bank accounts, investment accounts, IRAs and any loans you have made to others

Possible Classification translation:

Nonspendable – loans you have made to others

Restricted – retirement accounts that can't be touched

Committed – amounts needed to pay mortgage, taxes, car loans, tuition, and other obligations

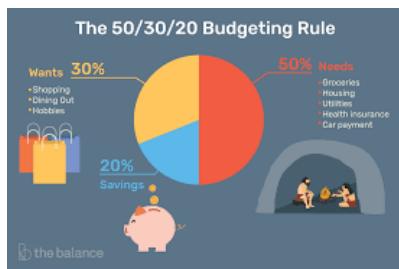
Assigned – anticipated costs such as utilities, phone, clothing, food, gas

Unassigned – savings for vacation, new roof, birthday presents, unexpected medical bills...

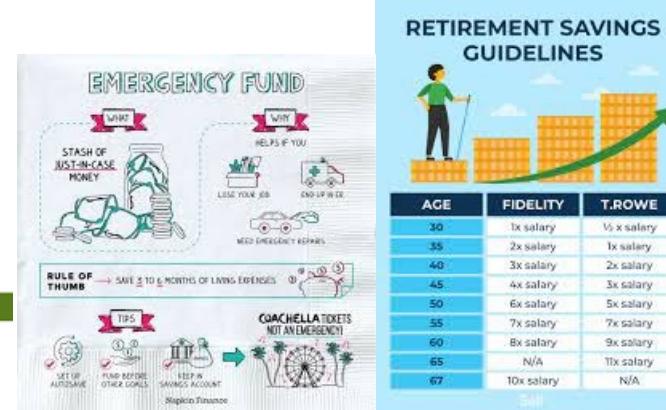


How much should you keep in savings?

There is lots of advice out there...



Age when saving starts	% of salary to save each year
20's	10% - 15%
30's	15% - 25%
Early 40's	25% - 35%
45+	35% - 55%
50+	55% +



For municipalities, accepted best practice is 2 months of general fund revenues

Translate that to a household with \$100,000 annual income

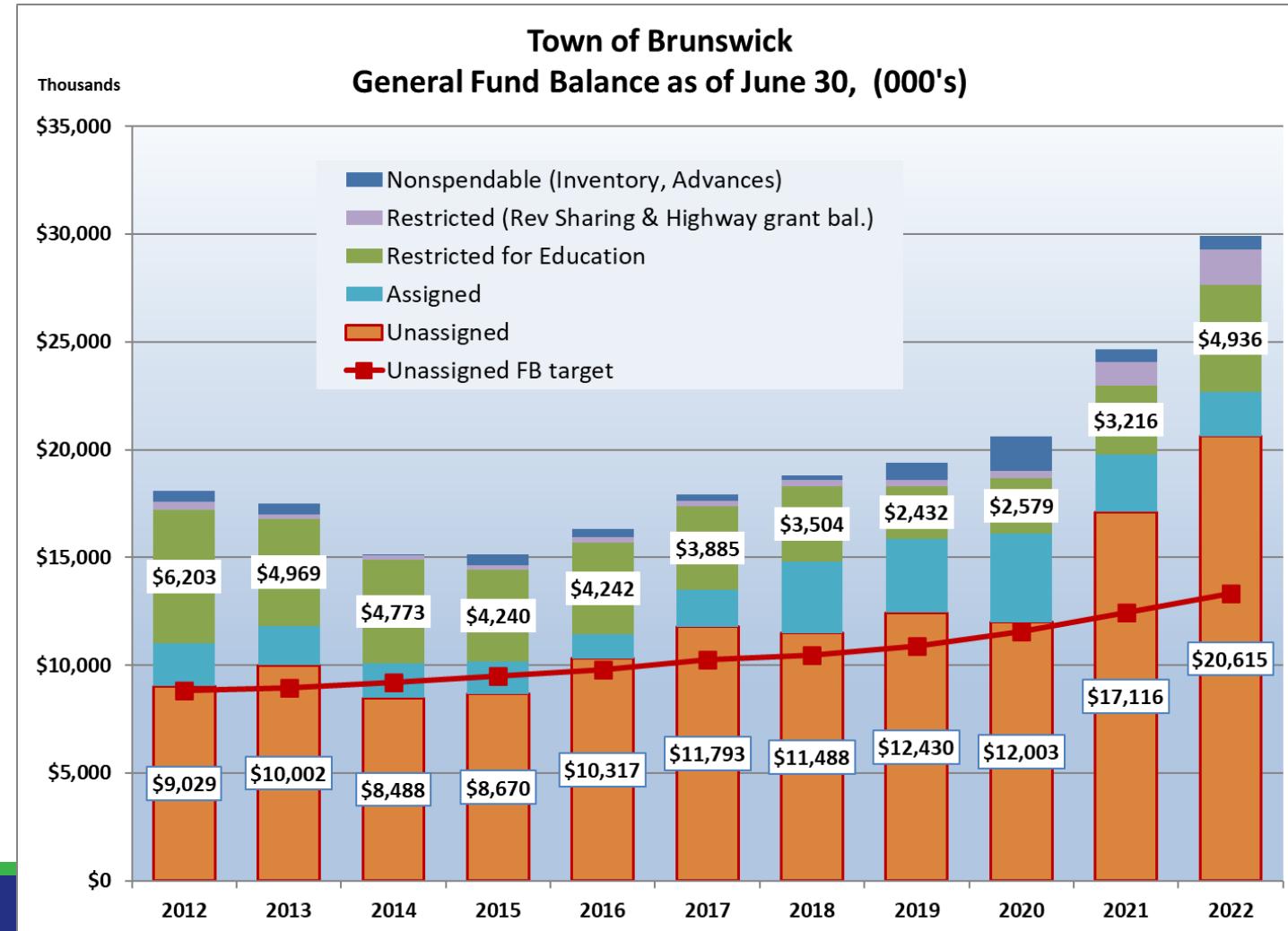


$$\begin{aligned} \$100,000 \times 2 \text{ months (16.67\%)} = \\ \$16,667 \end{aligned}$$



What is Brunswick's general fund balance?

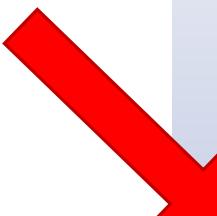
Nonspendable
Restricted (Municipal)
Restricted (Education)
Assigned
Unassigned
Unassigned Target =
2 months of general
fund revenue



What is unassigned fund balance used for?

The Fund Balance Policy sets a target level for Unassigned General Fund Balance

Amounts in excess of the target shall first be used **for capital improvements, or other one-time expenditures**, as recommended by the Town Manager and approved by the Town Council.



Fund Balance Policy Adopted October 18, 2010

- ▶ Fund balance is intended to serve as a measure of financial resources in a governmental fund. The Town's management, credit rating services, and others monitor the levels of fund balance in the general fund as an important indicator of the Town's economic condition.
- ▶ It is the policy of the Town of Brunswick to maintain unassigned fund balance in the general fund at 16.67% of general fund revenues measured on a GAAP basis. In the event that the unassigned fund balance drops below this level, the Town will develop a plan, implemented through the annual budgetary process, to bring the balance to the target level over a period of no more than three (3) years. Amounts in excess of the target shall first be used for capital improvements, or other one-time expenditures, as recommended by the Town Manager and approved by the Town Council

What has unassigned fund balance been used for in the past?

Some to offset taxes in the annual budget, but most to fund capital projects – avoiding the need to issue debt (borrow money).

Town of Brunswick, Maine Use of Fund Balance						
Description	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Use in Annual Budget	500,000	500,000	650,000	547,000	500,000	660,000
Capital Improvement Program projects	1,251,500	902,500	941,000	515,000	4,536,000	5,258,500
County Tax (6 months 'catch-up')					782,237	628,790
Starting unassigned FB over/(under) target	995,245	1,556,571	420,702	4,547,291	7,291,885	

Please ask questions!

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