

STATE OF MICHIGAN
COUNTY OF WASHTENAW
AUGUSTA CHARTER TOWNSHIP

A RESOLUTION AMENDING THE FUND BALANCE POLICY
ADOPTED BY THE BOARD BY RESOLUTION 18-07

RESOLUTION 19-16

At a regular meeting of the Township Board of Augusta Charter Township, Washtenaw County, Michigan, held in the Board Chambers at 8021 Talladay Road, Whittaker, Michigan 48190, on the 8 day of October 2019 at 7 p.m.

WHEREAS, the Board adopted a policy to comply with the Governmental Accounting Standards Board Statement No.54 which recommends as a best practice that governments establish a minimum level of unrestricted fund balance; and

WHEREAS, the auditors commented in the March 31, 2019 audit that the Board should amend its policy to include the order in which the Township will spend restricted and unrestricted funds; and

WHEREAS, the auditors have deemed the policy change to be sufficient to address their audit comment.

NOW, THEREFORE BE IT RESOLVED, by the Board of the Charter Township of Augusta, County of Washtenaw, State of Michigan that:

Section 1. The Fund Balance ADMIN Policy #001 dated March, 2018, amended as of October 8, 2019, as attached is made a part of this resolution.

Section 2. Said amended Fund Balance policy is hereby declared adopted.

Motion to approve Resolution was offered by Domas and seconded by Adams.

Roll Call: Aye; Adams, Burek, Domas, Howard, Ortiz, Shelby.

Nay; Chie.

Absent; None

RESOLUTION DECLEARED ADOPTED. Brian Shelby
Brian Shelby, Supervisor

CERTIFICATE

I, Belynda Domas, the elected and acting Clerk of Augusta Charter Township, hereby certify that the foregoing resolution was adopted by the Township Board, as presented at a meeting on October 8, 2019, at which meeting a quorum was present, by a roll call vote of said members as herein set forth; that said resolution was ordered to take immediate effect.

Belynda Domas 10-15-19
Belynda Domas, Clerk

ADMIN Policy #001

Requirements and Best Practices

Government Accounting Standards Board Statement No. 54 requires certain actions by the governing body in order to establish a means to segregate fund balance for reporting purposes. In addition, although not required by any accounting standard, in order to ensure that governments maintain adequate levels of fund balance to mitigate risks and provide a back-up for revenue shortfalls, it is the recommended best practice that governments establish a minimum level of unrestricted fund balance in their general fund, along with policies related to use and replenishment of fund balance.

Purpose

Augusta Charter Township believes that sound financial management principles require that sufficient funds be retained by the Township to provide a stable financial base at all times. To retain this stable financial base, the organization needs to maintain a fund balance in the General Fund that is sufficient to fund all cash flows of the organization, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, and to provide funds for all existing encumbrances.

The purpose of this policy is to establish a key element of the financial stability of Augusta Charter Township by setting guidelines for fund balance. Fund balance is an important measure of economic stability. It is essential that Augusta Charter Township maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The fund balance also provides cash flow liquidity for the general operations of Augusta Charter Township.

In addition, this policy addresses Augusta Charter Township's requirements under GASB 54 surrounding the composition of fund balance, including the establishment and use of the various components of fund balance.

Definitions

Fund Balance – A governmental fund's fund balance is the difference between its assets, deferred outflows and its liabilities and deferred inflows.

Fund Balance Components – An accounting distinction is made between the portions of fund equity that are spendable and nonspendable. Under GASB 54, these are broken up into five categories:

- 1) Nonspendable fund balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)
- 2) Restricted fund balance –Amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and dedicated millages.
- 3) Committed fund balance 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.
- 4) Assigned fund balance –Amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) Unassigned fund balance – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Unrestricted fund balance - Unrestricted fund balance includes committed, assigned and unassigned fund balance categories. Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance rather than on unrestricted fund balance.

Policies

Minimum Unrestricted Fund Balance - General Fund and Fire Fund

Augusta Charter Township with a March 31 year end and a tax levy of December 1 for the current year operations establishes a minimum fund balance goal of approximately 50% of the following year operating expenditures.

With approval of the board, the following reasons justify appropriations that may draw the fund balance below the 50%:

1. Planned use of reserves for capital expenditure
2. One-time emergency expenditure said emergency having been declared by the board
3. One-time legal expenses

If unrestricted fund balance falls below the 50% minimum balance the board will make a determination of replenishment during the next budget cycle with said plan of replenishment to implemented in the following year and have attained the minimum funding level within the following 5 years.

The fund balance of Augusta Charter Township's General and Fire Funds has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The Township's basic goal is to limit expenditures to anticipated revenue in order to maintain a balanced budget.

Order of Resource Use

In general, restricted funds are used first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. In addition, for unrestricted fund balance, the order of use of fund balance shall generally be: 1) committed; 2) assigned; and 3) unassigned.