

## TOWN OF NEW PALTZ

### FUND BALANCE POLICY

The Town of New Paltz (the “Town”) has an important responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely and to plan the adequate funding of services desired by the public, including the provision and maintenance of public facilities.

An important indicator of the financial stability of the Town is its fund balance that represents the un-assigned and unencumbered balance of the Town’s revenues held in the Town’s numerous funds.

GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). The objective of this statement is to enhance the usefulness of fund balance information by providing clearer classifications that can be more consistently applied. These are the classifications:

**Nonspendable**-consists of assets that are inherently nonspendable 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, financial assets held for resale, and principal of endowments.

**Restricted**-consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional legislation.

**Committed**-consists of amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

**Assigned**-consists of amounts that are subject to a purpose constraint that represents an intended use established by the board or by their delegated official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned Fund Balance generally includes encumbrances and appropriated fund balance.

**Unassigned**-represents the residual classification for the government’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town will report fund balance classification in accordance with accounting standards issued by the GASB.

In the future, the Town Board will assess the current financial condition of the town and then determine the order of application of expenditures to which fund balance classification will be charged.

The Town will continue to maintain a minimum unassigned/unappropriated fund balance of 10% of subsequent year's budget expenditures that will serve to guide the Town's budgeting decisions by providing:

- a target Minimum Fund Balance (the "Minimum Fund Balance") for the Town's three principal funds:
  - the Town General Fund (A), Unassigned
  - the Town Outside of Village Fund (B), Unappropriated and
  - the Highway Fund (DA/DB) (together "the Funds"), Unappropriated
- a specific time frame to attain the Minimum Fund Balance,
- the permitted uses that by their nature are not expected to occur routinely of the Minimum Fund Balance.

The Town shall strive to:

- a) attain and maintain in each of the Funds at fiscal year-end the Minimum Fund Balance of 10% (the "Minimum Fund Balance Percentage") of each of the Funds total adopted budgeted expenditures. The Minimum Fund Balance Percentage represents the Town's best estimate at this time of the financial reserves required to meet unexpected variances. The Minimum Fund Balance exclusive of the operating budget contingency established under e) is reserved for the following uses:
  - i. cash flow purposes;
  - ii. unknown, unbudgeted, and unpredictable events, such as a catastrophic road failure;
  - iii. to provide a reserve to fund calls on the Town's resources by the school district, Ulster County and un-funded mandates imposed on the Town by higher levels of government; and
  - iv. to provide a reserve to meet negative budget variances subject to the procedures set forth in (d) below;
- b) not use the Fund Balance for predictable or recurring expenses until the Minimum Fund Balance has been attained;

- c) refrain from the use of the Minimum Fund Balance to reduce the amount of the real property taxes and/or use the Minimum Fund Balance for one-time capital or emergency expenditures only if:
  - i. there are surplus balances remaining after all reserve and fund allocations are made, or
  - ii. the Town has made a rational analysis with justifying evidence that it has an adequate level of short and long term resources;
- d) use the Minimum Fund Balance to assist the Town in addressing negative actual budget variances;
- e) establish, in the operating budget, a contingency appropriation line item, as appropriate, in the three principal funds, to:
  - i. provide for non-recurring unforeseen expenditures of an emergency nature;
  - ii. provide orderly budgetary adjustments when revenues do not meet projections;
  - iii. provide the local match for public or private grants that may become available during the fiscal year;
  - iv. meet unexpected increases in service delivery costs; and
  - v. provide for settlement of pending liabilities and for unexpected payment of accrued vacation and sickness liabilities;
  - vi. provide for any other unforeseen but necessary expenditure to continue functional operations at a reasonable level.