

TOWN OF GUILDERLAND FUND BALANCE POLICY

I. STATEMENT OF POLICY

- A. The Town Board adopts this fund balance policy to address the Town's financial needs and establish adequate reserves to protect against unanticipated events that would otherwise adversely affect the Town's financial condition and jeopardize the continuation of necessary public services, and also to provide for taking advantage of unanticipated opportunities.
- B. This policy will ensure that the Town maintains adequate fund balances in the Town's General, Highway, Water and Sewer Funds to provide the capacity to:
 - 1. Ensure sufficient cash flow for daily financial requirements;
 - 2. Protect against significant economic fluctuations;
 - 3. Be prepared for unforeseen expenditures related to emergencies;
 - 4. Provide for funds that could enable the Town to respond to unanticipated opportunities;
 - 5. Reduce expensive short-term borrowing;
 - 6. Maintain investment grade ratings for Town bonds; and
 - 7. Provide a framework to guide budgetary and long-term planning decisions.
- C. The Town Board is responsible for the proper accounting of public funds and monitoring of the budget, the sound management of the Town's finances, and the continued funding of budgeted public services. This fund balance policy is intended to help the Town Board maintain a prudent level of financial resources to provide essential services, maintain sufficient cash flow, and manage unanticipated occurrences, and avoiding excessive fund balances.

II. FUND BALANCE CLASSIFICATIONS

- A. **Governmental Accounting Standards Board (GASB) Statement No. 54.**
Pursuant to GASB Statement 54, the following classifications of fund balances shall apply:

1. **Nonspendable fund balance.** Amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
2. **Restricted fund balance.** Amounts that have constraints on resources that are (1) externally imposed by creditors (debt covenants), grantors, contributors, or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
3. **Committed fund balance.** Amounts that used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the Town Board) to: (1) set aside based on self-imposed limitations established and set in place prior to the year end, but can be calculated after year end, or (2) required by the Town Board by adoption of a resolution or ordinance and requires the same action to remove or modify the limitation.
4. **Assigned fund balance.** Amounts that are conditioned by the Town Board's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by either the Town Board or a body or official to which the Town Board has delegated authority to assign amounts to be used for specific purposes.
5. **Unassigned fund balance.** Amounts that are not reported in any other classification. The General Fund is that only fund that will have a positive unassigned fund balance.

III. GENERAL POLICY

A. Fund Balance

1. The Town's financial health is dependent upon maintaining fund balance positions that is adequate to meet the Town's challenges and opportunities on both a current and long-term basis. Chapter 528 of the Laws of 2000 provides local governments with the authority to carry over a "reasonable amount" of unappropriated unreserved fund balances from one year to the next. The Town Board therefore adopts this policy which directs the maintaining of fund balances as follows:
 - a. The Town will strive to maintain unrestricted fund balances of not less than 15% and not more than 35% of budgeted appropriations in each of the General, Highway, Water and Sewer Funds.

- b. If the unrestricted fund balances fail to exceed 15% in one or more fund, the Comptroller and Town Board shall adopt a plan to replenish the unrestricted fund balances to the minimum level over a period not to exceed 3 years.
 - c. If the unrestricted fund balances exceed 35% in one or more fund, the excess may be utilized for any lawful purpose approved by the Town. To minimize the long-term effect of such use, the excess should be appropriated to fund one-time expenditures, a reduction in property taxes, and/or used to establish or increase reserves.
2. The Town's budget has multiple revenue sources. For purposes of fund balance classifications, expenditures are to be spent in the following order: restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance.