

County Of Ulster, New York Fund Balance Policy

I. PURPOSE

Ulster County ("the County") has adopted the following policy in an effort to ensure financial security through the maintenance of a fiscally responsible unrestricted fund balance that guides the creation, maintenance and use of resources for financial stabilization purposes.

The County's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels, raising taxes and fees, and/or borrowing to meet cash flow needs due to revenue shortfalls or unanticipated one-time expenditures. The County also seeks to minimize all borrowing costs by maintaining the highest possible credit ratings which are dependent, in part, on the County's maintenance of a fiscally sound fund balance.

II. BACKGROUND

The Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, whose requirements are effective for financial statement periods ending June 30, 2011. GASB 54 abandons the reserved and unreserved classifications of fund balance for financial statement reporting and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. The new classifications focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation. These reporting changes do not require changes in the County's budgeting and on-going accounting.

III. DEFINITIONS

Fund Balance: The difference between assets and liabilities reported in a governmental fund. Fund balance is not necessarily the cash balance of the County. Fund balances are classified into various components depending on the limitation placed on the use of the funds. The hierarchy indicates the extent to which a government is required to observe spending constraints that govern how it can use amounts reporting in the governmental funds balance sheet.

Nonspendable Fund Balance: 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 Fund Balance: 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 provision or enabling legislation.

Committed Fund Balance: 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 Fund Balance: Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or 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.

Unassigned Fund Balance: Represents the residual classification for the government's General Fund, and could report a surplus or a 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.

IV. POLICY STATEMENT

County finances will be managed so as to maintain balances of the various funds at levels sufficient to mitigate current and future risks, such as revenue shortfalls, unanticipated expenditures, stabilization of tax rates and user fees, protection of the County's creditworthiness, and to provide for adequate cash flow needs.

NYS law provides authority for the carry over of reasonable amounts of fund balance from one year to the next. Reasonable amount determinations include factors such as providing adequate cash flow to cover one month of expenditures thereby providing the liquidity necessary to accommodate the County's uneven cash flow which is inherent in its periodic tax collection as well as reliance on federal and state program reimbursements. **The Government Finance Officers Association (GFOA) recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.** The generally accepted operating fund balance is ~~5%-10%~~ **15%-18%** of current operating expenditures. The County will strive to maintain an unrestricted fund balance in this range at all times. An unrestricted fund balance below the minimum should be replenished with the succeeding year. **If it is not possible to replenish the balance in the succeeding year, the next adopted budget must work to ensure compliance with the Fund Balance Policy.**

When resources are available from multiple classifications, the County will spend, as allowed and available, the most restricted dollars before less restricted in the following order:

1. Nonspendable (if funds become spendable);
2. Restricted;
3. Committed;
4. Assigned;
5. Unassigned.

V. DELEGATION OF AUTHORITY

The County Legislature delegates the authority to determine and classify the proper fund balance amounts to the Commissioner of Finance.

VI. POLICY UPDATE

This policy will be reviewed and updated as deemed necessary by the County Legislature.