

**RESOLUTION # OF 2020
TO ESTABLISH THE TOWN OF NEW HAVEN FUND BALANCE POLICY**

WHEREAS, the Town of New Haven wishes to be proactive in its fiscal responsibilities and

WHEREAS, the NYS Comptroller's Office, the NYS Government Finance Officer's Association and the recognized national bond rating institutions recommend that government agencies adopt a Fund Balance Policy, and

WHEREAS the Town Board believes that a Fund Balance Policy is in the best interest of the Town of New Haven,

NOW THEREFORE BE IT RESOLVED, that the following Fund Balance Policy for the Town of New Haven will become effective upon its adoption by the Town Board.

TOWN OF NEW HAVEN FUND BALANCE POLICY

1. PURPOSE

The Town of New Haven 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.

The Town of New Haven is dedicated to maintaining reasonable fund balances sufficient to mitigate current and future risks (i.e. unanticipated emergency expenditures, mitigate unexpected costs resulting from natural disasters; sudden, unexpected increases in employee health benefits and/or other budgetary expense and revenue shortfalls); plan for future capital project and equipment needs and to ensure stable tax rates.

By maintaining a sufficient level of fund balance the Town:

- Reduces the need for urgent and significant increases in the Town property tax rate.
- Ensures the Town's ability to effectively react with adequate existing resources to address emergency situations and other events and take advantage of advantageous opportunities that may present themselves to the Town.
- Avoids the need for costly tax anticipation notes.
- Exercises good fiscal management by permitting the development of a more responsible and responsive long term financial plan.
- Maintains or improves a strong bond rating, thereby reducing future interest expenses.
- Eliminates the need for short-term borrowing to handle cash flow between the start of the fiscal year and the receipt of revenue from taxes.
- Maximizes investment earnings by maintaining adequate levels of cash and investments.

2. DEFINITION

Fund Balance is the difference between a Town's General and Special Revenue Funds' current assets (cash, short-term investments, receivables) expected to be available to finance operations in the immediate future and its current liabilities. The Governmental Accounting Standards Board (GASB) issued GASB Statement 54 effective June 30, 2011 outlining Fund Balance Reporting and Governmental Fund Type Definitions.

Total Fund Balance is made up of five parts: non-spendable, restricted, committed, assigned and unassigned. The last three classifications comprise the unrestricted fund balance of the Town.

Non-Spendable: Consists of the amounts that cannot be spent because they are in non-spendable form. Examples include prepaid insurance and inventory.

Restricted (Reserves): Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by certain creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Examples include: capital reserves, tax stabilization reserves, debt reserves, repair reserves, insurance reserve and other reserves allowed by NYS statutes.

Committed (Unrestricted): Consists of amounts constrained to specific purposes by a government itself using its highest level decision making authority (the Town Board.) The Town Board must take formal action before the end of the fiscal year to add or remove a constraint. The NYS Office of the State Comptroller (NYS OSC) believes that, in most cases, local governments will not have committed fund balances to report primarily due to the fact that reserves are allowed by NYS statutes.

Assigned (Unrestricted): Consists of amounts that are subject to purposes constrained by a government itself that represents an intended use established by the government's highest level decision making authority (the Town Board), or by the Town Board's designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In governmental funds other than the General Fund, the assigned fund balance represents the remaining amount that is not restricted or committed. Examples include: fund balance restricted by formal actions by the Town Board (resolutions, ordinances and local laws) constitute a constraint of resources and will result in an assignment of resources, also, encumbrances will typically be considered an assignment of resources.

Unassigned (Unrestricted): This consists of all balances remaining after considering the other four categories and could result in a surplus or deficit. Use of these balances are least constrained in this category.

3. GUIDELINES

The Town Board shall propose budgets that provide for an unrestricted unassigned fund balance of **not less than 15 (fifteen) percent nor more than 25 (twenty five) percent** of the total operating expenditures for EACH fund that the Town manages. This would be the General Fund, Highway Fund and other operating and special revenue funds.

The Town would like to establish the unrestricted unassigned fund balance for each fund as follows:

A- General Fund - **not less than 15 (fifteen) percent nor more than 25 (twenty five) percent** of the total operating expenditures.

DA- Highway Fund - **not less than 10 (ten) percent nor more than 20 (twenty) percent** of the total operating expenditures.

SW- Water Districts - **not less than 5 (five) percent nor more than 10 (ten) percent** of the total operating expenditures.

3.1 If, at the end of a fiscal year, the fund balance falls below the established minimum per fund listed, the Town Supervisor shall prepare and submit a plan for expenditure reductions and/or revenue increases for the respective fund to the Town Board. The Town Board shall take action necessary to restore the unreserved, undesignated fund balance through the budgetary process to acceptable levels within a one to three year period from the fiscal year of the deficiency.

RESOLUTION # OF 2020

TOWN OF NEW HAVEN GENERAL POLICY REGARDING RESERVE FUNDS

I. STATEMENT OF POLICY

The Town of New Haven ("Town") is required to be in compliance with Governmental Accounting Standard Board Statement 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, for all fiscal years beginning after June 15, 2010. Implementation of Statement 54 has provided an opportunity for the Town to define a minimum fund balance level for the Town's Special Revenue Funds.

Purpose of Policy: The purpose of this Policy is to establish a fund balance policy for each reserve fund to address the needs of the Town and establish adequate reserves to protect against unanticipated events that would otherwise adversely affect the financial condition of the Town and jeopardize the continuation of necessary public services. This policy will ensure the Town maintains adequate fund balances and reserves in the Town's General Fund to:

- Ensure sufficient cash flow for daily financial requirements;
- Guard against significant economic downturns;
- Protect against unforeseen expenditures related to emergencies; and
- Maintain investment grade bond ratings;
- Provide a framework to help guide budgetary decisions.

II. CLASSIFICATIONS

The Town shall comply with the reporting requirements of Article 3 of General Municipal Law of the State of New York and the Governmental Accounting Standards Board (GASB) Statement Number 54, Fund Balance Reporting and Governmental Fund Types Definitions. The Board authorizes the Supervisor to complete actions as necessary to comply with the requirements of GASB Statement No. 54:

A. Non-spendable: Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

B. Restricted: Amounts that have constraints on resources that are (a) externally imposed by creditors (debt covenants), grantors, contributors, or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

C. Committed: Amounts used for a specific purpose pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority.

i. Amounts set aside based on self-imposed limitations established and set in place prior to the year end, but can be calculated after year end.

ii. Required to be imposed by the Town Board only by adoption of a resolution or ordinance and requires the same action to remove or modify the limitation

D. Assigned: Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by either the governing body itself or a body or official to which the governing body has delegated authority to assign amounts to be used for specific purposes.

E. Unassigned: Amounts that are not reported in any other classification. The General Fund is the only fund that will have a positive unassigned fund balance.

3.2 The Town may appropriate, in whole or in part, funds designated for emergencies pursuant to a resolution of the Town Board approved by a majority of such governing body.

3.3 In the event the fund balance in any respective fund is greater than 25 (twenty five) percent at the end of any fiscal year, the excess in that particular fund may be used in one or a combination of the following ways:

*One time expenditures and capital expenditures that do not increase recurring operating costs or;

* Other one time costs, or the establishment of or increase in, legitimate reservations of designations of fund balance;

* Used directly to reduce the tax rate provided that care is taken to avoid a major fluctuation in the tax rate in succeeding years and consideration is given for the NYS Property Tax Cap calculation. The use of designated fund balance to balance the budget when related to recurring operating expenditures is discouraged.

* Used to fund long-term employee liabilities or emergencies as referred to in 3.2 above.

3.4 Annually, during a regularly scheduled Board Meeting in the months of April, September and December, the Town Board shall review the current status of fund balance in each fund to determine adherence to the policies outlined above and undertake a plan of action to correct any necessary deficiencies noted by the Town Board as part of their budget review process.

RESOLVED, that this resolution shall take effect immediately.

MOTION was made by Councilperson Rombough seconded by Councilperson Prasser, and voted as follows:

Yes 5

No 0

STATE OF NEW YORK)

COUNTY OF OSWEGO)ss

TOWN OF NEW HAVEN)

I, Jennifer Woolson, Town Clerk of the Town of New Haven, Oswego County, New York, DO HEREBY CERTIFY that the following resolution was duly passed by the Town Board of the Town of New Haven on this 1st day of January, 2020

Jennifer Woolson

Jennifer Woolson, Town Clerk

Town of New Haven, New York