

FUND BALANCES

Objective:	To provide a framework of definitions, procedures, and guidelines for the management of fund balances in order to ensure the County's fiscal stability and creditworthiness of its debt and also to establish a clear, consistently applied methodology to calculate fund balance.	Policy/Procedure Number:	05-04
References: <i>(All Applicable Federal, State and Local Laws)</i>	Article 5 of the County Charter and Code, Financial Procedures and Controls (see Appendix B), which specifies the procedures by which the County Budget and Capital Program is submitted and reviewed. Article 7 of the New York State Law; GASB Summary of Statement No. 54, <i>Fund Balance Reporting and Governmental Fund Type Definitions</i> , issued 02/09; Administrative Policy 05-02.	Effective Date:	07/02/2013
		Responsible Department:	County Administration
		Modified Date (s):	
Legislative Policy Statement:	Tompkins County shall establish clear policy and procedures for developing, appropriating, and managing its operating budget and capital program. This includes a policy for calculating and establishing year-end fund balance targets intended to ensure fiscal stability.	Resolution No.:	2013-102
General Information:	<p>It is important to adopt a budget each year that maintains year-end fund balances that meet the targets listed below.</p> <p>Maintaining adequate balances, consistent with the targets established in this policy, is important because:</p> <ol style="list-style-type: none">1. An adequate fund balance enables the County to respond to unforeseen negative events and to level out the impact of those events on taxpayers and service-delivery recipients;2. The size and stability of fund balances are significant considerations for credit rating agencies when they determine the credit rating of Tompkins County's debt instruments. Credit ratings affect the interest rate that taxpayers must pay for borrowed funds;3. Adequate reserves avoid the costs of borrowing, and generate interest earnings. <p>All of the above results in lower taxes over the long run. Proposals to reduce the fund balances below target levels in order to avoid higher taxes should always be viewed in this light -- lower taxes once can mean repeated future tax increases.</p>	Next Scheduled Review:	June 2018

I. Definitions:

A. GASB Statement 54—The Government Accounting Standards Board (GASB) is the pre-eminent source of uniform policies, protocols, and standards used by all domestic government agencies. In Statement 54, GASB defines various “classifications” of fund balance. In turn, these classifications reflect the availability of funds through a gradient that ranges from the most restricted to the most available funds within the government’s overall fund balance.

B. Classification of Funds—GASB 54 establishes the following classification of fund balance:

1. **Restricted Fund Balance** includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation;
2. **Committed Fund Balance** includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority;
3. **Assigned Fund Balance** is intended to be used by the government for specific purposes, but those purposes do not meet the criteria to be classified as restricted or committed. In funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed;
4. **Unassigned Fund Balance** is the residual classification for the government’s General Fund and includes all spendable amounts not contained in the other classifications. It is the money left after all other allowable and defined adjustments are made to the fund balance.

C. Fund Balance Target—The amount of Unassigned (or in the case of non-general funds, Assigned) Fund Balance at the end of the fiscal year, below which a particular fund should not fall. The target is expressed as a percent of the annual revenues of the particular fund.

D. General Fund—the County’s principal operating fund; includes all operations not required to be recorded in other funds.

E. Airport Fund—Accounts for the operations of the County-owned airport.

F. Solid Waste Fund—Accounts for County solid waste activities.

G. Road and Highway Machinery Funds (Combined)—Accounts for expenditures for highway purposes authorized by Section 114 of the Highway Law and for the purchase, repair, and storage of highway machinery, tools, and equipment pursuant to Section 133 of the Highway Law.

H. Debt Service Fund—Accounts for current payments of principal and interest on general obligation long-term debt, and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness

II. Policy:

Fund Balance Targets

Fund balance shall be the Unassigned Fund Balance as defined by the Government Accounting Standards Board Statement #54 for the County’s General Fund, and the Assigned Fund Balance for other funds.

The targets for year-end fund balances shall be a percentage of budgeted revenues, and are established as follows:

A. GENERAL FUND: Ten (10) percent.

B. AIRPORT FUND: An amount estimated by the Director of Finance to be sufficient to meet expenditure commitments and expectations for the Airport for future years.

C. SOLID WASTE FUND: Ten (10) percent.

D. ROAD AND HIGHWAY MACHINERY FUNDS COMBINED: Five (5) percent.

E. DEBT SERVICE FUND: Ten (10) percent.

To the extent possible, the appropriation of balances in excess of the Target should be applied to non-recurring expenses such as capital projects or equipment in order to avoid tying recurring expenses to non-recurring revenue.