



TOWN OF ULYSSES

10 Elm Street, Trumansburg, NY 14886

townofulyssesny.gov

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DRAFT

To: Ulysses Town Board

From: Ulysses Finance Committee

Re: Fund Balance Policy Update

April 3rd, 2024

The proposed updates to the fund balance policy include target ranges for each fund that has unappropriated fund balance.

Unappropriated fund balance has accumulated over time. Fiduciary responsibility will include spending unappropriated fund balance down to the policy's stated goals over the course of several years.

In the past two budget development cycles, a variety of updated budgeting techniques have been used as a method of bringing the budget-making process more in-line with the Town Board's wishes, one of which is to more accurately estimate expenses and revenues during budget development.

Additionally, it has been a long-standing method to offset annual operational expenses with unappropriated fund balance—which essentially uses previously collected revenue for current year expenses.

As the Town transitions to new budgeting methods, it is important to fully understand how prior budgeting techniques, and the use of unappropriated fund balance in the budget process, impact the Town's operations and financial standing through a multi-year lens.

Hence, the Finance Committee will add unappropriated fund balance target spenddown planning to its 2024 work plan and will report to the rest of the Town Board as the year progresses.



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ADOPTION OF TOWN OF ULYSSES POLICY ON FUND BALANCE AND RESERVE FUNDS

Resolution 2023-_____ :

WHEREAS, the Town of Ulysses Finance Committee underwent an analysis of all Town funds to inform the previously adopted fund balance policy; and

WHEREAS, the goal of the analysis was to establish target fund balance levels based on the proportion to the operational expense budget of individual funds; and

WHEREAS, the State of New York and the Governmental Accounting Standards Board has established by Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for fund balance reporting; and

WHEREAS, reserve funds, essentially a legally authorized savings account for particular specific purposes, are an important component in the Towns financial planning for specific expenses, future projects, acquisitions and other lawful purposes, and

WHEREAS, the Town may establish and maintain fund balances in accordance with New York State laws, and the Town will also consider rules and/or opinions issued by the New York State Comptroller when they are not in conflict with law; and

WHEREAS, the Town of Ulysses Finance Committee has proposed updates to the Town Fund Balance and Reserve Fund policy, in the form attached hereto as Exhibit A; and

WHEREAS, the Town Supervisor and Budget Officer have the authority to reclassify the existing Fund Balance Reserve accounts and establish new financial account numbers to conform with the proposed Town Fund Balance and Reserve Fund Policy; and

NOW, THEREFORE BE IT RESOLVED by the Town Board of the Town Ulysses that the proposed Town Fund Balance and Reserve Fund Policy is hereby adopted as proposed; and be it

FURTHER RESOLVED, that all prior inconsistent policies are hereby repealed.

Note: text in red is updated from original policy adopted 7/28/2020

TOWN OF ULYSSES FUND BALANCE AND RESERVE FUND POLICY

In accordance with GASB Statement No. 54 the Town reserve funds must be properly established and maintained to promote the goals of creating an open, transparent and accountable use of public funds. The Town may engage independent experts and professionals, including but not limited to, auditors, accountants and other



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financial and legal counsel, as necessary to monitor all reserve fund activity and prepare reports that the Town Board may require.

Government Fund Type Assignment (GASB-54)

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 Town Supervisor to complete the following actions as necessary to comply with the requirements of GASB Statement No. 54:

A. **Restricted Fund Balances-** Restricted fund balances consist 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 provisions or enabling legislation. This category of fund balance refers to all reserves in any fund.

B. **Committed Fund Balances-**Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action of the Town Board. This category refers to informal reserves in the A fund.

C. **Assigned Fund Balances-**Assigned fund balances consist of amounts that are subject to a purpose constraint that represent an intended use established by the Town Board or Town Supervisor. The Town Board authorizes the Town Supervisor to make a determination of the assigned fund balance amounts. Assigned fund balances represent amounts intended to be used for a specific purpose. Assigned fund balances require same level of authority to remove the constraint. This category includes what is called “appropriated fund balance” in the A fund in the budget document, “appropriated fund balance”. Outside of the A Fund (i.e. B, DA, DB, and the Water District Funds), the category “Assigned Fund Balance” refers to unappropriated fund balance within the fund, aka “Assigned Unappropriated Fund Balance.” “Assigned Appropriated Fund Balance” is appropriated fund balance in any fund outside of the A Fund.

D. **Unassigned Fund Balances -** Any amounts that are available for any purpose. This category refers to unappropriated fund balance in the A Fund.

E. **Unappropriated Fund Balance - cash resources for the purpose of protecting the Town from unanticipated fluctuations in revenues and expenses.**

Funding Policy for Restricted or Committed and Assigned Fund Balances

The formal actions and amounts deemed necessary by the Town Board that restrict, commit or assign fund balances to a specific purpose may occur prior to the end of the reporting period, however, they may also be determined in the subsequent period.

Spending Policy for Fund Balances

The Town Board and Budget Officer 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.



Periodic Review and Annual Report

The Town Board and management will periodically review all restricted, committed and assigned fund balances. The Board shall utilize the information to discuss reserve fund balances and to adequately maintain necessary funds for the Town's long-term financial planning. The Board will be mindful of its role and responsibility as a fiduciary of public funds when acting on reserve fund issues.

Targets for Unappropriated Fund Balance and Assigned Unappropriated Fund Balance

When fund balance estimates are outside of the below identified percentage ranges, the Town's Finance Committee will develop a recommendation on the disposition of these funds and bring it to the entire Town Board. If trying to reach a target, the solution might be a multi-year process. In certain circumstances, unappropriated fund balance may exceed target range in instances in which funds are earmarked for particular use and not delineated within the reserve funds.

Fund	Target Range: % Unappropriated Fund Balance (UAFB) to Operational Budget	Strategic Planning Notes Regarding Intention of Method
All Funds	n/a see below	<ul style="list-style-type: none"> The goal for UAFB is to use it as a resource in two ways: financing single-time expenses during the budgeting process or for emergency events (example: unexpected loss in revenue) to mitigate potential of events or circumstances that jeopardize Town services and functionality. These uses are supported by capital planning and multi-year project planning.
A (Town-wide General)	20 - 30%	<ul style="list-style-type: none"> Broad ability to save via reserves, other funds are more restricted as to what you can create reserves for. Consider difficult to predict revenue streams (sales tax, mortgage tax).
B (Town outside Village General)	25 - 35%	<ul style="list-style-type: none"> Less control over fund revenue sources UAFB earmarked for annual Comp Plan update savings; water-related temporary loans and/or costs associated with engineering services for water district inquiries.
DA (Town-wide Highway)	20 - 30%	<ul style="list-style-type: none"> Target accounts for unpredictable weather events (snow, extreme weather) that could impact salary lines (OT, benefits based on salary [NYSLRS, FICA]). Related budgeting notes: expense and salary lines related to machinery repair must always be budgeted to assume worst case scenario.
DB (Town outside Village Highway)	25 - 35%	<ul style="list-style-type: none"> Less control over fund revenue sources Emergency and capital reserves in place.
SM (Ambulance)	15 - 25%	<ul style="list-style-type: none"> UAFB earmarked to smooth tax levy increases and costs of potential planning studies.
SW3 (Water District 3)	25 - 35%	<ul style="list-style-type: none"> UAFB earmarked for engineering related needs in the future.