

Resolution Approving A Fund Balance Policy

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

WHEREAS, the State Comptroller and Government Finance Officers 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 Hannibal,

NOW, THEREFORE, BE IT RESOLVED, that the following Fund Balance Policy shall take effect immediately.

TOWN OF HANNIBAL FUND BALANCE POLICY

1. **PURPOSE:** The Town of Hannibal 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 Hannibal 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 benefits and other budgetary expenses 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 of Hannibal:

- Reduces the need for urgent and significant increases in the Town 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. Since the Governmental Accounting

Standards Board (GASB) issued GASB Statement 54, 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. The GASB 54 statement went into effect June 30, 2011.

Non-spendable - Consists of the amounts that cannot be spent because they are in a nonspendable 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 State statutes.

Committed (Unrestricted) – Consists of amounts constrained to specific purposes by a government itself using its highest level decision making authority (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 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 State statutes.

Assigned (Unrestricted) – Consists of amounts that are subject to purposes constraint by a government itself that represents an intended use established by the government's highest level decision making authority (Town Board), or by the Board's designated body or official. The purpose of the assignment must be narrower than the purpose the General Fund. In governmental funds, other than the general fund, 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 a 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 10 percent nor more than 20 percent of the total operating general fund, highway fund and other operating and special revenue fund expenditures.

3.1 If, at the end of a fiscal year, the fund balance falls below 15 percent, the Town Supervisor shall prepare and submit a plan for expenditure reductions and/or revenue increases 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.

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

3.3 In the event the fund balance is greater than 20 percent at the end of any fiscal year, the excess 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 or 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. 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 February and November; the Town Board shall review the current status of fund balances 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 Board as part of their budget review process.

Dated this 17 day of April, 2019

Town of Hannibal Town Board Motion to adopt the Town of Hannibal Fund Balance Policy as written above made by Charles Reed, Seconded by Rick Shoults

Approved 5 Yea ___ Nay

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