

Fund Balances

Objective:	To provide framework 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
		Effective Date: July 2, 2013
Reference: <i>(All applicable federal, state, and local laws)</i>	Tompkins County Charter, Article 5: Budgeting Procedures and Controls; New York State Law, Article 7; GASB Summary of Statement No. 54, <i>Fund Balance Reporting and Governmental Fund Type Definitions</i> , issued 02/09; Administrative Policy 05-02.	Responsible Department: County Administration/Finance
		Modified Date (s): September 21, 2021; December 19, 2023
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 and to maintain the highest achievable bond rating.	Resolution No.: 2013-102; 2021-206; 2023-307
		Next Scheduled Review: December 2028
General Information:	It is essential to adopt a budget annually that maintains year-end fund balances that meet the targets listed below. Maintaining adequate balances, consistent with the targets established in this policy, is vital because:	

1. An adequate fund balance enables the County to respond to unforeseen negative events and emergencies, and to level out the impact of those events on taxpayers and service-delivery recipients;
2. Adequate fund balances and reserves offset significant economic downturns or revenue shortfalls;
3. Adequate fund balances and reserves provide sufficient cash flow for daily financial needs;
4. 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 and the County should secure and maintain investment grade bond ratings; and
5. Adequate reserves avoid the costs of borrowing and generate interest earnings.

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.

I. Definitions:

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

Authority to Assign - The County Legislature's ability to delegate authority to the Director of Finance or their designee to assign amounts to be used for specific purposes.

Classification of Funds - GASB 54 establishes the following classification of fund balance:

1. **Non-spendable Fund Balance** - Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact.
2. **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.

3. **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.
4. **Assigned Fund Balance** - 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.
5. **Unassigned Fund Balance** - 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. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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 actual expenditures.

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.

General Fund - The County's principal operating fund which includes all operations not required to be recorded in other funds.

Solid Waste Fund - Accounts for County Recycling and Materials Management activities.

II. Policy:

A. Fund Balance Targets

1. Fund balances 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.
2. The Unassigned Fund Balance targets for year-end fund balances shall be a percentage of actual year-end expenditures, and are established as follows:
 - a. General Fund: Twenty-Five (25) percent.
 - b. Airport Fund: Sixteen (16) percent to twenty (20) percent.
 - c. Solid Waste Fund: Sixteen (16) percent to twenty (20) percent.

B. Surplus Fund Balance

To the extent possible, the appropriation of balances in excess of the Fund Balance Target should be applied to one-time, nonrecurring expenses such as capital

projects or equipment in order to avoid tying recurring expenses to non-recurring revenue.

III. Procedure: Replenishing Deficiencies

When fund balances fall below the minimum targets, the County will replenish shortages/deficiencies using the budget strategies and timeframes described below.

1. The following budgeting strategies shall be used by the County to replenish funding deficiencies:
 - a. The County will reduce recurring expenditures to eliminate any structural deficit; or
 - b. The County will increase revenues or pursue other funding sources; or
 - c. Some combination of the two (2) options above.
2. Minimum fund balance deficiencies shall be replenished within the following time periods:
 - a. Deficiency resulting in a minimum fund balance that is up to three (3) percent less than the target minimum fund balance shall be replenished over a period not to exceed two (2) years;
 - b. Deficiency resulting in a minimum fund balance that is three (3) percent up to six (6) percent less than the target minimum fund balance shall be replenished over a period not to exceed five (5) years;

Deficiency resulting in a minimum fund balance that is over six (6) percent less than the target minimum fund balance shall be replenished over a period not to exceed eight (8) years.