RESOLUTION NO. 10

~~June 19, 2018~~ March 19, 2019

A RESOLUTION TO READOPT THE CITY'S FUND BALANCE POLICY

WHEREAS, in the interest of prudent fiscal management, City Council established a Fund Balance Reserve policy, and

WHEREAS, the purpose of such Fund Balance policy is to allow financial reporting consistent with GASB 54, and to provide the City with a framework for stability and consistent operations through changing economic climates and turnover of elected officials, and

WHEREAS, the policy provides guidance in order to ensure the City maintains an appropriate level of financial reserves for working capital, cash flow for daily financial needs, unforeseen operating expenditures, unexpected revenue declines due to downturns in the economy, and unforeseen natural disaster expenditures, and

WHEREAS, the policy is to be presented by the City Treasurer annually for review and adoption by the Common Council,

NOW, THEREFORE BE IT RESOLVED, that the Common Council adopts the attached Fund Balance policy.

Approved by Board of Estimate and Apportionment:

Mayor

Council President

City Treasurer

Introduced: SM

Seconded: RB

Approved: 3/20/19

By: Mayor

Fund Balance Policy

City of Hudson, NY

PURPOSE

The City is responsible for the appropriate accounting of public funds, the sound management of municipal finances and the adequate funding of services required by the public. This fund balance policy is intended to help the City maintain a prudent level of financial resources to provide essential services, maintain sufficient cash flow and manage unanticipated occurrences.

BACKGROUND

The Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions. Statement 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications for Governmental Funds: non-spendable, restricted, committed, assigned and unassigned. The last three classifications comprise the unrestricted fund balance. The statement went into effect June 30, 2011.

DEFINITIONS

Fund Balance – Consists of the measurement of available resources and represents the difference between total assets and total liabilities.

Non-spendable – Consists of the amounts that cannot be spent because they are in a non-spendable form.

Restricted – 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.

Committed (Unrestricted) – Consists of amounts constrained to specific purposes by a government itself using its highest level decision making authority (Common Council). The Common Council must take formal action before the end of the fiscal year to add or remove a constraint.

Assigned (Unrestricted) – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level decision making authority (Common Council), or by the Council's designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance will be the residual (unassigned, unrestricted) amount of fund balance.

Unassigned (Unrestricted) – For the General Fund, this consists of all balances remaining after considering the other four categories and could result in a surplus or a deficit. Use is least constrained in this category. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance.

CLASSIFICATIONS

Non-spendable **Reserved - Not Available for Appropriation**

- prepaid insurance
- inventory
- Cemetery Perpetual Fund

Restricted **Designated Reserves - Available for Appropriation for a Specific Use**

- Capital Reserves
- Tax Stabilization Reserves
- Debt Reserves
- Repair Reserves
- Insurance Reserve
- Other reserves allowed by State statutes

Committed **Unrestricted - Not Available for Appropriation**

- Amounts constrained to specific purposes by the City itself via the Common Council
- *OSC believes that in most cases, local governments will not have committed fund balance to report as reserves are allowed by State statutes.*

Assigned **Unrestricted - Available for Appropriation**

- Budgeted Use of Fund Balance
- Encumbrances
- Residual Fund Balance in funds other than the General Fund
- *OSC believes that formal actions by the governing boards (resolutions, ordinances, and local laws) constitute a constraint of resources and will result in an assignment of resources.*

Unassigned **Unrestricted - Residual**

- All other unassigned fund balances
- General Fund only, unless other funds have deficit balances

POLICY

Application

This policy shall apply to the City's General Fund, Cemetery Fund, Water Fund, and Sewer Fund.

Authority

The Common Council is the decision-making authority that can commit fund balance. The formal action that is required to establish, modify or rescind a fund balance reserve, commitment or assignment is a resolution approved by the Board of Estimate and Apportionment (BEA) and authorized by the Common Council.

Non-Spendable Fund Balance

At the end of each fiscal year, the City will report the portion of the fund balance that is not in spendable form as Non-Spendable on the financial statements.

Spendable Fund Balance

Restricted Fund Balance (Reserves)

- Funding of reserves can come from surplus funds, budget appropriations or other sources as designated by the BEA and authorized by the City Council.
- All expenditures from or uses of reserve will require prior BEA approval and Common Council authorization by adoption of a Use of Reserve Resolution.
- Reserves shall only be used for the purpose in which they are intended.
- At the end of each fiscal year, the City will report the portion of the fund balance that is reserved as Restricted on the financial statements.

Committed Fund Balance

- Whenever possible, when formal action by the Common Council (resolutions, ordinances, and local laws) constitutes a constraint of resources and will result in a future assignment of resources, the City will establish formal Reserve Funds.
- Where future funds are committed for specific purposes by formal action of the Common Council but no formal Reserve is established, such funds will be classified as Committed.
- Committed fund balance approved in prior year resolutions will be carried forward until spent or uncommitted by a current year resolution by the Common Council.

- At the end of each fiscal year, the City will report the portion of the fund balance that is committed as Committed on the financial statements.

Assigned (Unrestricted) Fund Balance

- General Fund
  - In the General Fund, funds intended for specific operating purposes identified in operating plans and budgets (e.g., encumbrances, budgetary Use of Fund Balance) will be classified as Assigned.
  - At the end of each fiscal year, the City will report the portion of the General Fund balance that is assigned as Assigned on the financial statements.
- Cemetery, Water & Sewer Funds
  - In the Cemetery, Water and Sewer Funds, residual (unrestricted, unassigned) fund balance will be reported as Assigned on the financial statements.
  - The Assigned fund balance range for the Water and Sewer Funds shall be not less than 25.0% and not more than 35.0% of the total adopted budgeted expenditures of each respective Fund.
  - The Assigned fund balance range for the Cemetery Fund shall be not less than 5.0% and not more than 15.0% of the total adopted budgeted expenditures of the Cemetery Fund.
  - The City Treasurer shall annually calculate and verify the Common Council's compliance with this policy. In determining compliance, the following formula will be used: the audited balance available in the Assigned fund balance of the City's Cemetery, Water and Sewer Funds for the most recently audited fiscal year, divided by the adopted expenditure budget for the ensuing fiscal year for each respective Fund.

Unassigned (Unrestricted) Fund Balance

- In the General Fund, residual (unrestricted, unassigned) fund balance will be reported as Unassigned on the financial statements.
- The unrestricted unassigned fund balance range for the General Fund shall be not less than 25.0% and not more than 35.0% of the total adopted budgeted expenditures of the General Fund.
- The City Treasurer shall annually calculate and verify the Common Council's compliance with this policy. In determining compliance, the following formula will be used: the audited balance available in the unrestricted unassigned fund balance of the City's General Fund for the most recently audited fiscal year, divided by the adopted expenditure budget for the ensuing fiscal year for the City's General Fund.

- The City Treasurer shall report annually to the BEA and the Common Council the results of the calculation and the BEA shall make recommendations for the use of funds in the event of a surplus or the replenishment of funds in the event of a deficit.

  Surplus
  - In the event the unrestricted unassigned fund balance of the City's General Fund exceeds the maximum requirements, the excess may be utilized for any lawful purpose approved by the BEA and authorized by the Common Council.
  - In order to minimize the long term effect of such use, the excess shall be appropriated to fund one-time expenditures or expenses which do not result in recurring operating costs, or other one-time costs including the establishment or increase in formal Reserve Funds.

  Deficit
  - In the event the unrestricted unassigned fund balance for the City's General Fund falls below the minimum requirement of 25% for any fiscal year, the BEA shall prepare and submit to the Common Council a plan to restore the balance to the minimum target level in the next budget year or other appropriate period of time.

Application of Funds

When multiple categories of fund balance are available for expenditure, the order of exhaustion of the fund will be as follows:

1. Restricted
2. Committed
3. Assigned
4. Unassigned

Review

This policy will be presented by the City Treasurer annually for review and adoption by the Common Council.

RESOLUTION NO. 3
June 20 2017

A RESOLUTION ADOPTING A FUND BALANCE POLICY FOR THE CITY OF HUDSON

WHEREAS, the City of Hudson is responsible for the appropriate accounting of public funds, the sound management of municipal finances and the adequate funding of services required by the public; and

WHEREAS, having a written fund balance policy and associated controls will benefit the City Treasurer and the Common Council with the financial management of the City; and

WHEREAS, the City Treasurer has recommended that the Common Council adopt a written fund balance policy that is intended to help the City maintain a prudent level of financial resources necessary to provide essential services, maintain sufficient cash flow and manage unanticipated occurrences; and

WHEREAS, the Finance Committee and Legal Committee have reviewed the proposed Fund Balance Policy, attached hereto as Exhibit A, and recommend adoption of same,

NOW, THEREFORE, BE IT RESOLVED that City of Hudson Fund Balance Policy, attached hereto as Exhibit A, is hereby adopted.

Introduced: RR

Seconded: Priscilla Morse

Approved: _____
Tiffany Hamilton, Mayor

6/21/2017

Fund Balance Policy

City of Hudson, NY

PURPOSE

The City is responsible for the appropriate accounting of public funds, the sound management of municipal finances and the adequate funding of services required by the public. This fund balance policy is intended to help the City maintain a prudent level of financial resources to provide essential services, maintain sufficient cash flow and manage unanticipated occurrences.

BACKGROUND

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Assigned **Unrestricted - Available for Appropriation**

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- Encumbrances
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- Reserves shall only be used for the purpose in which they are intended.
- At the end of each fiscal year, the City will report the portion of the fund balance that is reserved as Restricted on the financial statements.

Committed Fund Balance

- Whenever possible, when formal action by the Common Council (resolutions, ordinances, and local laws) constitutes a constraint of resources and will result in a future assignment of resources, the City will establish formal Reserve Funds.
- Where future funds are committed for specific purposes by formal action of the Common Council but no formal Reserve is established, such funds will be classified as Committed.
- Committed fund balance approved in prior year resolutions will be carried forward until spent or uncommitted by a current year resolution by the Common Council.

- At the end of each fiscal year, the City will report the portion of the fund balance that is committed as Committed on the financial statements.

Assigned (Unrestricted) Fund Balance

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