

**VILLAGE OF ROUSES POINT, NY**  
**FUND BALANCE POLICY**  
**ADOPTED ON APRIL 7, 2014**  
**REVIEWED BY BOARD ON APRIL 17, 2017**

**I. SCOPE**

This Fund Balance Policy applies to all fund balances per fund. Fund balance is the total accumulation of operating surpluses and deficits since the beginning of the Village of Rouses Point's existence.

**II. OBJECTIVES**

The primary objectives of the Village of Rouses Point's Fund Balance Policy are as follows:

- To provide for an orderly provision of services;
- To provide taxpayers with information about why resources have been set aside;
- To provide framework to help guide budgetary decisions and multi-year plans;
- To help ensure an adequate fund balance is available to
  - Ensure efficient cash flow for daily needs
  - Protect against unforeseen expenditures related to emergencies
  - Offset economic downturns or revenue shortfalls
  - Maintain investment-grade bond rating.

**III. COMPONENTS OF FUND BALANCE**

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied.

**Fund Balance Classifications**

Fund balance amounts will be reported by the Village according to the following five classifications:

**Nonspendable** – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

**Restricted** – consists 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.

**Committed** – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

**Assigned** – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

**Unassigned** – represents the residual classification for the Village’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

#### **IV. STATUTORY FUND BALANCE LIMITATIONS**

Chapter 528 of NYS Laws of 2000 gives local governments the authority to carry over a “reasonable amount” of unappropriated unreserved fund balance from one year to the next. Since GASB 54 eliminated the unappropriated unreserved fund balance terminology, local governments are instructed to apply the “reasonable amount” calculation to the unrestricted portion of fund balance (defined as the total of the committed [913], assigned [914 & 915], and unassigned fund balance [917] classifications), consistent with the “reasonable amount” statutes. In determining the amount to carry over, this total should be then reduced by any amount appropriated for the ensuing year’s budget (914).

#### **V. REASONABLE AMOUNT**

The Village officials must consider a number of factors when determining how much unrestricted fund balance is “reasonable” to carry over.

“Reasonable” factors to consider are, as follows:

- Composition of the fund balance
- Timing of receipts and disbursements
- Volatility of revenues and expenditures
- Contingent appropriations
- Established reserves
- Potential for one-time outlays not provided for by reserves
- Dependence on resources from other funds as well as the need to provide resources to other funds

- Size of the fund
- Experience in prior years

Common methods used to calculate a “reasonable amount” are, as follows:

- Percentage of expenditures or revenues (i.e. 15% of annual operating expenditures)
- Expenditures or revenues for a set number of months (i.e. total estimated expenditures for the first two months of the fiscal year)
- Specific dollar amount

## **VI. BUDGET REQUIREMENT**

The tentative budget as required by Village Law section 5-506 (1)(c) must contain a statement for each fund of the fund balance estimated to be on hand at the close of the current fiscal year, together with a breakdown of such fund balance estimated for:

- Encumbrances
- Amount appropriated for ensuing year’s budget
- Amounts reserved for stated purpose
- Remaining unappropriated amount, no to exceed a “reasonable amount”

## **VII. SUMMARY**

The Village’s Unassigned Fund Balance in each fund will be maintained to provide the Village with financial stability and a margin of safety for unanticipated contingent expenditures that may occur unexpectedly during the fiscal year. The Unassigned Fund Balance of each fund used for these purposes may only be appropriated by resolution of the Village Board.

Any portion of Fund Balance may be applied or transferred for a specific purpose either by formal action of the Village Board or by what is required by law. Amendments or modifications to the applied or transferred fund balances must be approved by resolution of the Village Board.

The Village Board shall delegate the authority to assign fund balance, for encumbrance purposes to the Treasurer.

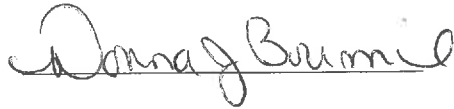
In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications the Village Board will assess the current financial condition of the Village and then determine the order of application of expenditures to which fund balance classification will be charged.

**VIII. ANNUAL REVIEW AND ADMENDMENTS**

The Village of Rouses Point shall review this fund balance policy annually, and it shall have the power to amend this policy at any time.

Date Reviewed: April 17, 2017

for: THE BOARD OF TRUSTEES  
THE VILLAGE OF ROUSES POINT

A handwritten signature in cursive script that reads "Donna J. Brunel". The signature is written in black ink and is positioned above the printed name of the Village Clerk.

Village Clerk