

# Town of Tyre

## Fund Balance Policy

### Adopted January 5, 2023

#### PURPOSE

The Town of Tyre (the “Town”) denotes the following policy to ensure financial security through the maintenance of a fiscally responsible unrestricted fund balance that guides the creation, maintenance and use of resources for financial stabilization purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*.

Reserve funds (which essentially are a legally authorized savings account for specific purposes) are an important component in the Town’s financial planning for specific expenses, future projects, acquisitions and other lawful purposes. To this end, the Town may establish and maintain reserve funds in accordance with New York State laws. The Town will also consider rules and/or opinions issued by the New York State Comptroller when they are not in conflict with law.

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

The Town’s primary objective is to maintain a prudent level of financial resources to protect against reducing service levels, raising taxes and fees, and/or borrowing to meet cash flow due to revenue shortfalls or unanticipated one-time expenditures. The Town also seeks to minimize all borrowing costs by maintaining the highest possible credit ratings, which are dependent, in part, on the Town’s maintenance of a fiscally sound fund balance.

#### DEFINITIONS

**Fund Balance:** The difference between the assets and liabilities reported in a governmental fund. Fund balance is not necessarily the cash balance of the Town. Fund balances are classified into various components depending on the limitations placed on the use of the funds. The hierarchy indicates the extent to which a government is required to observe spending constraints that govern how it can use amounts reported in the governmental funds balance sheet.

**Nonspendable Fund Balance:** Consists of assets that are not in a spendable form 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 Fund Balance:** Consists of amounts constrained to specific purposes and subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, bondholders, contributors, laws and regulations higher levels of government; or through constitutional provisions or by enabling legislation.

**Committed Fund Balance:** Consists of amounts that are subject to a purpose constraint imposed by a formal action of the Town Board before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

**Assigned Fund Balance:** Consists of amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**Unassigned Fund Balance:** Consists of amounts that are available for any purpose; these amounts are reported only in the General Fund.

## **POLICY STATEMENT**

The fund balance of the Town's General Fund and Highway Fund has been accumulated to provide stability and flexibility to respond to unexpended adversity and/or opportunities.

The objective is to maintain an unrestricted fund balance of not less than 100% of annual appropriations for the fiscal year.

Town finances will be managed so as to maintain balances of the various funds (General Fund, Highway Fund, etc.) at levels sufficient to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures), to ensure stable tax rates and user fees, protect the Town's creditworthiness, and to provide for adequate cash flow needs.

The decision to retain an unrestricted fund balance of not less than 100% of annual fund appropriations stems from the fact that the majority of the anticipated revenue (>85%) for the Town comes from one source (NYS Gaming Tax Revenue as the Host Municipality of the del Lago Resort and Casino). Should something unanticipated happen to this revenue source (as happened in 2020 when NYS directed the del Lago Resort & Casino to close for six months due to COVID), the Town seeks to provide adequate funding to cover approximately one year of expenditures.

The Town Board will periodically review the appropriateness of fund balance thresholds as described in this policy and update as deemed necessary.

The Town Board delegates to the Town Supervisor the authority to determine the proper amounts to be assigned to each type of fund balance for purposes as determined to be necessary. This would provide the liquidity to respond to contingent liabilities and provide for capital asset replacements.

The Town Supervisor will set aside assigned or committed fund balances to cover the amount of outstanding purchase orders or encumbrances that have been authorized by the Town Board through the budget process.

Effective as of the year ended December 31, 2022, the unassigned fund balance shall be any remaining amounts.

This policy may be amended at any time by the Town Board.

The Town will spend, as allowed and available, the most restricted dollars before less restricted where such spending is appropriate and the legal restriction does not limit the use of such restricted amount for the particular purpose in question in the following order:

- a) Nonspendable (if funds become spendable)
- b) Restricted
- c) Committed
- d) Assigned
- e) Unassigned

Should the fund balance exceed 100% of annual appropriations after the year-end books have been balanced and closed; the excess amount will be applied in the following order:

- a) Applied to debt
- b) Deposited into a reserve fund
- c) Balance the following year budget

The Town will be mindful of its role and responsibility as a fiduciary of public funds when acting on reserve fund issues.

This policy shall be reviewed and reauthorized yearly at the Town's organizational meeting in January.

#### **PERIODIC REVIEW AND ANNUAL REPORT**

The Town Board will review and reauthorize this policy yearly at the Town's organizational meeting in January.

The Town Board will periodically review all restricted, committed, and assigned fund balances. The Supervisor will prepare and submit an annual report of all restricted, committed, and assigned funds for the Town Board. The annual report shall include the following information for each reserve fund:

- a) The type and description of the reserve fund.
- b) The interest earned on each reserve fund.
- c) The sum total increase and sum total decrease in the reserve funds.
- d) The ending balance in the reserve funds at fiscal year-end.
- e) A summary of the projected use and the need of the reserve funds.