

Local Law No. __ of 2021, entitled:

“Fund Balance Policy”

BE IT ENACTED BY, the Town Board of the Town of Clinton as follows:

1. A new Chapter is hereby added to the Town Code which shall read as follows:

Chapter 48. Fund Balance Policy

§ 48-1. Purpose:

The Town Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Town and is fiscally advantageous for both the Town and the taxpayer. This policy will ensure that the Town maintains adequate fund balances and reserves in order to:

- a. Ensure sufficient cash flow for daily financial requirements.
- b. Eliminate the need for short term borrowing to handle cash flow between the start of the fiscal year and receipt of revenue from taxes.
- c. Guard against economic fluctuations.
- d. Serve as a contingency fund that enables the Town to respond to unanticipated emergencies or opportunities.
- e. Maintain investment grade bond ratings.
- f. Provide a framework to help guide budgetary decisions.

The Town Board is responsible for the appropriate accounting of public funds, the sound management of municipal finances, and the adequate funding of services desired by the public. This fund balance policy is meant to help the Town maintain a prudent level of financial resources to provide essential services, maintain sufficient cash flow, and manage unanticipated occurrences, while at the same time avoiding over taxation with an excessively large fund balance.

§ 48-2. Definitions:

General Fund: The Town's principal operating fund from which Town expenses are customarily paid. This fund includes all revenues and expenditures not required to be recorded in a separate fund.

Highway Fund: A fund established pursuant to Highway Law §141 which accounts for revenues and expenditures for highway purposes including but not limited to repairs and improvements on bridges, machinery, and roads.

Capital Projects Fund: A fund or funds established for financial resources to be used for the acquisition or construction of capital facilities such as buildings, facilities, or infrastructure and/or equipment. An individual capital projects fund should be established for each authorized project.

Trust & Agency Fund: A fund or funds established by the Town as an agent for individuals, private organizations or other governments.

Annual Update Document (AUD): The report required by Section 30 of the General Municipal Law (GML) in which the Town reports its financial condition to the New York State Comptroller.

§ 48-3. Fund Balance Classifications:

A. The Town shall comply with the reporting requirements of Article 3 of General Municipal Law of the State of New York and the Governmental Accounting Standards Board (GASB) Statement Number 54, Fund Balance Reporting and Governmental Fund Types Definitions, as amended.

B. GASB Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

C. Non-spendable fund balance – contractually required to be maintained intact (e.g., permanent fund principal). Amounts that cannot be spent because they are:

i. Not in spendable form, such as inventory, prepaid items, long term portions of notes receivables.

ii. Legally or contractually required to be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments

D. Restricted Fund Balance – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation. This may include amounts constrained to specific purposes by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation.

E. Assigned Fund Balance – Assigned fund balances 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 its designated body or official. The Town Board authorized the Supervisor to make a determination of the assigned amounts of fund balance. Assigned funds represent amounts intended to be used for a specific purpose. Assigned fund balances require the same level of authority to remove the constraint.

F. Unassigned Fund Balance – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose. In other governmental funds, if expenditures incurred exceeded the amounts restricted, committed or assigned it may be necessary to report a negative unassigned fund balance.

§ 48-4. Fund Balance Policy:

- A. This Policy shall only apply to the Town's General Fund and Highway Fund.
- B. The Town Board is the decision-making authority that can commit fund balance pursuant to a duly adopted Town Board Resolution. The action to commit or allocate fund balance must occur prior to the fiscal year-end in order to report such commitments in the financial statements of the respective period. The commitment may only be modified by a Resolution adopted by the Town Board.
- C. The Town Supervisor has the authority to assign unrestricted fund balance amounts where the Town's intent is for those amounts to be used for

specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

D. Unexpended Surplus Funds

- i. For the purpose of this policy, unexpended surplus funds consist solely of Unassigned Fund Balance.
 - ii. The Town shall strive to maintain unexpended surplus funds of not less than 25% and not more than 45% of General Fund and Highway Funds adopted budget appropriations, excluding interfund transfers for fringe benefits such as health insurance, pension and other benefit payments made on behalf of Town employees.
 - iii. The Town Supervisor shall report the amount and percentage of applicable fund unexpended surplus funds to the Town Board upon completion of the Annual Update Document (AUD) each year.
 - iv. In the event that unexpended surplus funds exceed 45% of adopted budget appropriations, the excess may be utilized for any lawful purpose approved by the Town Board. In order to minimize the long term effect of such use, the excess should be appropriated to fund one-time expenditures, and/or be used to establish or increase reserves.
 - v. In the event that unexpended surplus funds fall below 25% of adopted budget appropriations, the Town Board shall develop a restoration plan to achieve and maintain the minimum fund balance over a period not to exceed 3 years.
2. If any section, subsection or specific part or provision or standard of this Local Law or the application hereof to any person or circumstance be adjudged invalid by any court of competent jurisdiction, such section, subsection or specific part or provision or standard shall be deemed a separate, distinct and independent provision and such judgment shall not affect the validity of the remaining portions thereof.
 3. To the extent that any provision of this Chapter is inconsistent with Town Law §§ 263, 274-a, 274-b or any other provision of Article 16 of the Town Law, or of the Public Health Law, or of Real Property Law, the provisions of this chapter are expressly intended to and do hereby supersede any such inconsistent provisions under the Town's municipal home rule powers, pursuant to Municipal Home Rule Law §10(1)(ii)(d)(3); §10(1)(ii)(a)(14) and §22 to supersede any inconsistent authority.
 4. This Local Law shall take effect immediately upon filing with the Secretary of State.