

TOWN OF BETHLEHEM FUND BALANCE POLICY

I. STATEMENT OF POLICY

The Town of Bethlehem ("Town") is required to be in compliance with Governmental Accounting Standard Board Statement 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, for all fiscal years beginning after June 15, 2010. Implementation of Statement 54 has provided an opportunity for the Town to define a minimum fund balance level for the Town's General and Special Revenue Funds.

Purpose of Policy:

The purpose of this policy is to establish a fund balance policy to address the needs of the Town and establish adequate reserves to protect against unanticipated events that would otherwise adversely affect the financial condition of the Town and jeopardize the continuation of necessary public services. This policy will ensure the Town maintains adequate fund balance and reserves in the Town's General Fund to provide the capacity to:

- Ensure sufficient cash flow for daily financial requirements;
- Guard against significant economic downturns;
- Protect against unforeseen expenditures related to emergencies; and
- Maintain investment grade bond ratings;
- Provide a framework to help guide budgetary decisions.

II. Classifications

- A. **Nonspendable:** Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- B. **Restricted:** Amounts that have constraints on resources that are (a) externally imposed by creditors (debt covenants), grantors, contributors, or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- C. **Committed:** Amounts used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
 - Amounts set aside based on self-imposed limitations established and set in place prior to the year end, but can be calculated after year end.
 - Required to be imposed by the Town Board only by adoption of a resolution or ordinance and requires the same action to remove or modify the limitation.

- D. **Assigned:** Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by either the governing body itself or a body or official to which the governing body has delegated authority to assign amounts to be used for specific purposes.
- E. **Unassigned:** Amounts that are not reported in any other classification. The General Fund is the only fund that will have a positive unassigned fund balance.

III. PROCEDURES

Fund Balance – General Fund and Special Revenue Funds

- A. A significant part of the Town's financial health is maintaining a fund balance position that is adequate to meet the Town's needs and challenges on both a current and long-term basis. The Town of Bethlehem has therefore adopted a policy that directs management to maintain fund balance as follows:
- The Town will strive to maintain a Contingency Reserve balance in the General Fund, and all Special Revenue Funds, of 15% of budgeted appropriations. Balances in excess of 20% of budgeted appropriations will be transferred to the Capital Reserve Funds.
 - Balances failing to exceed 7.49% will require the Comptroller and Town Board to adopt a plan to replenish the Contingency Reserve to the minimum level over a period not to exceed 3 years.
 - This designation of funds will be included as assigned fund balance for financial statement purposes.
- B. After covering current and budget year operating and capital costs and meeting General Fund Contingency requirements, any remaining available fund balance may be used for the following purposes:
- Capital and technology improvements;
 - Reduction of unfunded liabilities, including Retirement and Retiree Health obligations;
 - Debt retirement;
 - Cost avoidance projects
 - Other non-recurring needs, in accordance with Board Budget Policies.

Order of Spending

The Town's budget provides for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.