FUND BALANCE POLICY
FOR THE VILLAGE OF CROTON-ON-HUDSON

I. PURPOSE

The Village of Croton-on-Hudson believes that a fund balance policy for its General Fund will ensure long-term stability of its financial resources. The goal of the policy is to ensure that the unassigned fund balance is maintained at a reasonable level, not too high or too low, in order to protect against reducing service levels, revenue shortfalls, raising taxes and fees, and unanticipated one-time expenditures, emergencies or disasters.

II. RESERVE FUNDS

Reserve funds will be established and used as a component of the Village's financial planning for specific expenses, future projects, acquisitions and other lawful purposes.

III. BACKGROUND AND DEFINITIONS

The Government 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.

1. Fund Balance – Consists of the measurement of available resources and represents the difference between total assets and total liabilities.
2. Non-Spendable – Consists of the amounts that cannot be spent because they are in a non-spendable form. Examples: prepaid insurance, inventory.
3. 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. Example: reserves.
4. Committed (Unrestricted) – Consists of amounts constrained to specific purposes by a government itself using its highest-level decision-making authority.
5. Assigned (Unrestricted) – Consists of amounts that are subject to a purposes constraint that represents an intended use established by the government's highest-level decision-making authority. Example: encumbrances.
6. Unassigned (Unrestricted) – Consists of all balances remaining after considering the other four categories for the general fund and could results in a surplus or deficit. Use is least constrained in this category.

IV. POLICY STATEMENT

The Village Board must consider a number of factors when determining how much unrestricted fund balance is reasonable. Factors to consider are: timing of receipts and disbursements, volatility of revenues and expenditures, contingent appropriations, established revenues, 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 and experience in prior fiscal years.

In the past, the Village reviewed its prior year unassigned fund balances and concluded that the level of unassigned fund balance was higher than necessary, given the relatively stable cash flow that the Village currently has. With the current uncertainty surrounding the Village's non-tax revenues, this policy will need to be monitored for any possible changes.

The following table shows the percentage of unassigned fund balance as a percentage of the subsequent year's total appropriations:

Fiscal Year End	Unassigned Fund Balance	Total Appropriations Following Year	Percentage
2013	$4,890,443	$18,158,071	27%
2014	$4,921,457	$18,214,803	27%
2015	$4,930,389	$18,612,643	26%
2016	$5,832,266	$18,826,308	31%
2017	$6,469,558	$19,026,760	34%
2018	$5,154,698	$19,399,107	27%
2019	$5,602,091	$19,427,655	29%
2020	$5,793,691	$18,868,054	31%

By adopting this Fund Balance Policy, the Village shall endeavor to keep the Unassigned Fund Balance in a range not less than 17% and not more than 22% of the total adopted budgeted expenditures of the General Fund. In determining compliance, the following formula will be used: the audited balance available in the unrestricted unassigned fund balance of the Village's General Fund for the most recently audited fiscal year, divided by the adopted expenditure budget for the ensuing fiscal year for the Village's General Fund.

V. SURPLUS

In the vent the unrestricted unassigned fund balance of the Village's General Fund exceeds the maximum requirements, the excess may be utilized for any lawful purposes approved by the Village Board of Trustees. The Village Manager and Village Treasurer will prepare a proposed plan for the future use of these funds. By adopting this Fund Balance Policy, the Village Board commits to adopting reserve accounts to be used for future capital expenditures. Two such necessary reserve accounts are for (1) building purchases and building renovations, and 2) Fire and other apparatus having costs exceeding $250,000. The Village Board also commits to utilizing surplus unassigned

fund balance for the purchase of vehicles and equipment. Reserve accounts will be established by resolution as required by law.

VI. DEFICIT

In the event the unrestricted unassigned fund balance for the Village's General Fund falls below the minimum requirement of 17% for any fiscal year, the Village Manager and Village Treasurer will prepare and submit to the Village Board a plan to restore the balance to the minimum target level in an appropriate period of time.

VII. ANNUAL REVIEW

This policy will be reviewed on an annual basis and adopted at the Village's Organizational Meeting.