

Fund Balance FAQ

What is the fund balance?

The fund balance is the town's savings account. It serves as an emergency rainy day account and also, depending on how much is in the account, as a source of revenue to pay for special projects without having to borrow and pay interest, or as a revenue that can be used in an annual operating budget to lower tax rate for the following year.

Each budget fund and each special district, e.g., general fund, highway fund, Yorktown sewer district, water district, etc. has its own fund balance.

How does the fund balance grow?

The fund balance grows when, at the end of the year, it is determined that revenues have exceeded expenses. It decreases when funds are withdrawn to pay for special projects, used as a revenue in the fund's annual operating budget, or when total annual expenses exceed annual revenue.

Increases and decreases in the fund balance are affected by many factors that the town has no control over.

For example, a strong economy may generate higher revenues than originally projected from sales and mortgage taxes and development and building related fees. Conversely, if the economy stagnates or slows, the town may not receive as much revenue as it anticipated in the budget.

On the other side of the ledger, over a 12 month period, there are many unknowns governing expenses. Some budgeted for expenses may turn out to be lower than anticipated while other expenses may not have been anticipated. A delay in filling a staff vacancy will reduce the salary expense line. The weather can increase or decrease the snow removal budget and/or result in unanticipated storm clean-up costs which may or may not be reimbursed by FEMA. (The 2011 "Halloween" storm wasn't reimbursed, while Hurricane Sandy was.)

Is the fund balance a static or changing number?

Because the town receives its revenues and spends its money over 12 months, the amount of money in the fund balance is in a constant state of flux. However, the "official" fund balance number that is used for budget purposes, and the number that bonding agencies look at, is the audited fund balance number as of December 31. That number typically is not known until six months into the next calendar year after the previous year's financial books have been closed and audited.

That means that when the Town Board is making decisions on the 2014 budget, it is working with a 2012 fund balance number. It will not know until the summer of 2014, if there will be any "excess" fund balance as of December 31, 2013 that can be used to offset expenses in the 2015 budget.

What constitutes "excess" fund balance funds?

Although there is no formal fund balance policy, the Town Board has said on more than one occasion that it considers a fund balance that is 13% - 15% of the fund's annual budget to be an appropriate amount of money to hold in reserve for the general fund but that a larger fund balance would be appropriate for the special districts because of the nature of their expenses. On the other hand, the Board has also acknowledged that the size of the fund balance affects the town's bond rating and that bonding agencies prefer a 20% fund balance.

As of December 31, 2012, the general fund fund balance was at 18% of the budget. (The percentage varies for other funds; the fund balances for all funds are shown in the 2014 budget.)

However, if the entire \$1.2 million “excess” in the general fund fund balance is given back to the taxpayers in the 2014 budget, the size of the remaining balance drops to 14%.

Which leaves unanswered the question: will there be another \$1.2 million “excess” in the fund balance as of December 31, 2013 that could be used to fill the expense/revenue gap in the 2015 budget?

Historic use of excess fund balance

Past Town Boards have given taxpayers back excess fund balance in the general fund in order to lower the tax rate.

Historic budgeted use of general fund fund balance

2007	\$600,000
2008	\$400,000
2009	\$50,000
2010	\$500,000
2011	\$150,000
2012	\$290,000
2013	\$565,350
2014	\$1,205,000 (proposed)