



# ULSTER COUNTY OFFICE OF THE COMPTROLLER

## 2021 Fiscal Stress Snapshot

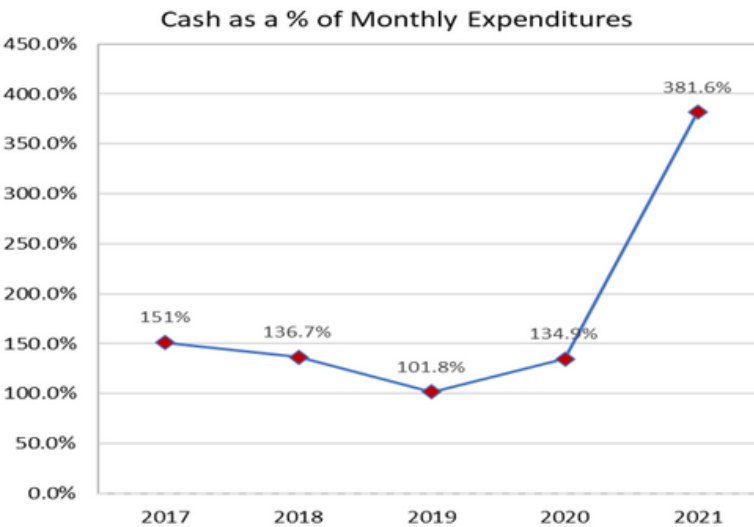
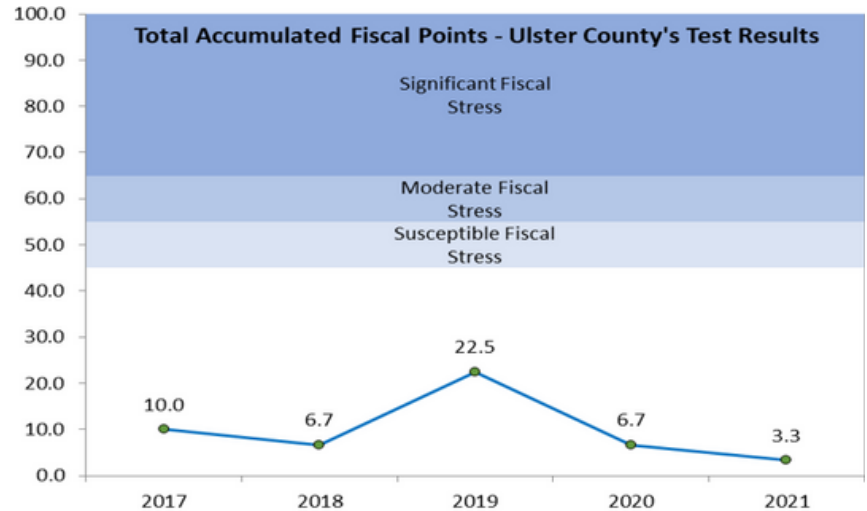
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The New York State Office of the State Comptroller ("OSC") developed the Fiscal Stress Test ("Test"). According to OSC, "fiscal stress" is the "inability of an entity to generate enough revenues within the current fiscal period to meet its expenditures." The Test assesses municipalities and assigns them points as to the following: year-end fund balance, operating deficits, cash position, use of short-term debt, and fixed costs (such as personal services and employee benefits). Monitoring these indicators can help guide policy makers as we move forward in addressing fund balance levels that are above internal policy limits.

### How Fiscally Stressed is Ulster County?

The Test classifies fiscal stress among three categories: "significant stress," "moderate stress," and "susceptible to stress." Additionally, "no designation" is reserved for municipalities that do not accumulate enough points to be labeled within the three stress categories. For 2021, the Fiscal Stress Test shows that Ulster County's stress levels decreased within the "no designation" classification. Since the inception of the Test by OSC, Ulster County has not operated within any category of fiscal stress. We utilized the Annual Financial Reports from the current and past years that were submitted to OSC. The following financial indicators are noteworthy:



**Fund Balance:** The County had received points in the fund balance categories in 2019, however due to back to back years of surplus in 2020 and 2021 adding to the fund balance levels, no points have been received since. These categories predict the ability to deal with potential revenue shortfalls or expenditure overruns.

**Operating Deficits:** The County experienced an operating deficit in 2019, which was one out of the past three years and this attributes 3.33 points toward the fiscal score. The county rebounded with two surplus years. If 2022 is the third surplus year in a row, there will be no points remaining in this area for the 2022 Test.

**Cash Position:** As far as the County's cash position, its cash ratio as a percentage of current liabilities is strong. However, in 2020 there was a slight indication of stress related to its cash ratio as a percentage of monthly expenditures. An influx of cash during 2021 has elevated cash levels and no longer indicate the susceptibility to stress in this area.

### Conclusion

Surplus years in 2020 and 2021 have reduced Ulster County Fiscal Stress levels from the high point of 22.5 points at the end of 2019 down to 3.3 points at the end of 2021. Pending 2022 has a surplus year, the County may reduce the stress level to zero points at the close of the year. At a zero-point stress level that indicates high levels of fund balance as well as cash. The County should implement multiyear budgeting that works toward structurally balanced budgets, annually evaluate the Fund Balance Policy, continuously evaluate budget performance throughout each year, and assess the cash management and investment policy as market conditions change to ensure the County remains in an optimal fiscal position for years to come.

\*Test results are as of a specific date and the Test does not predict the impact of future economic conditions or the volatility of revenues sources such as sales tax.