

## City of Saratoga Springs

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### VI. FUND BALANCE

1. General Fund
  2. Water and Sewer Funds
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### Office of Finance

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Updated November 20, 2012  
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Updated July 15, 2014  
Reviewed July 2015  
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## VI. FUND BALANCE

### 1. General Fund

#### A. Purpose:

For increased financial stability, the City of Saratoga Springs (City) desires to manage its financial resources by establishing a fund balance policy for the General Fund. This will ensure the City maintains a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls, unexpected one-time expenditures, emergencies and disasters.

#### B. Background:

The Governmental 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.

In April 2011 the Office of the State Comptroller (OSC) issued guidance on Fund Balance Reporting and Governmental Fund Type Definitions. The guidance addressed how the changes in GASB 54 were being implemented in the Annual Update Document and the effects on local government reporting.

#### C. Definitions:

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 can not be spent because they are in a non-spendable form.
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.
4. Committed (Unrestricted) – Consists of amounts constrained to specific purposes by a government itself using its highest level decision making authority (City Council). The City Council must take formal action before the end of the fiscal year to add or remove a constraint.

5. Assigned (Unrestricted) – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level decision making authority (City Council), or by the Council’s designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund. In funds other than the general fund, assigned fund balance will be the residual amount of fund balance.
6. Unassigned (Unrestricted) – This consists of all balances remaining after considering the other four categories for the general fund and could result in a surplus or a deficit. Use is least constrained in this category. In funds other than the general fund, the unassigned classification should only be used to report a deficit balance.

**D. Classifications:**

1. Non-spendable
  - prepaid insurance
  - inventory
2. Restricted (Reserves)
  - Capital Reserves
  - Tax Stabilization Reserves
  - Debt Reserves
  - Repair Reserves
  - Insurance Reserve
  - Retirement Reserves
  - and other reserves allowed by State statutes.
3. Committed (Unrestricted)
  - OSC believes that in most cases, local governments will not have committed fund balance to report primarily due to the fact that reserves are allowed by State statutes.
4. Assigned (Unrestricted)
  - OSC believes that formal actions by the governing boards (resolutions, ordinances, and local laws) constitute a constraint of resources and will result in an assignment of resources.
  - Encumbrances will typically be considered an assignment of fund balance.
5. Unassigned (Unrestricted)
  - All other unassigned fund balances.

## E. Policy:

### 1. Reserves

- a. The City shall strive to maintain a level of reserves to guard its citizens against a service disruption because reserves are essential to dealing with unforeseen emergencies or changes in condition
- b. Funding of reserves can come from surplus funds (excess of revenues over expenditures or one-time revenues) or other sources as designated by the City Council.
- c. All expenditures from or uses of reserve will require prior Council approval by adoption of Use of Reserve Resolution.
- d. Reserves shall only be used for the purpose in which they are intended.

### 2. Unassigned (Unrestricted) Fund Balance

- a. The unrestricted unassigned fund balance range for the General Fund shall be not less than 10.00% and not more than ~~15~~25.00% of the total adopted budgeted expenditures of the General Fund.
- b. The Commissioner of Finance shall annually calculate and verify the City Council's compliance with this policy. In determining compliance, the following formula will be used: the audited balance available in the unrestricted unassigned fund balance of the City's General Fund for the most recently audited fiscal year, divided by the adopted expenditure budget for the ensuing fiscal year for the City's General Fund.
- c. The Commissioner of Finance shall report annually to the City Council the results of the calculation and make recommendations for the use of funds in the event of a surplus or the replenishment of funds in the event of a deficit.
- d. **Surplus:** In the event the unrestricted unassigned fund balance of the City's general fund exceeds the maximum requirements, the excess may be utilized for any lawful purpose approved by the City Council. In order to minimize the long term effect of such use, the excess shall be appropriated to fund one time expenditures or expenses which do not result in recurring operating costs, or other one time costs including the establishment or increase in legitimate restrictions (reserves) of fund balance.
- e. **Deficit:** In the event the unrestricted unassigned fund balance for the City's general fund falls below the minimum requirement of 10% for any fiscal year, the Commissioner of Finance shall prepare and submit to the City Council a plan to restore the balance to the minimum target level in the next budget year or other appropriate period of time.

### **3. Application of Funds:**

In instances where expenditures are incurred that will require the funding sources to be comprised of two or more types of fund balance categories, the order of exhaustion of the fund will be as follows:

1. Restricted
2. Committed
3. Assigned
4. Unassigned

### **F. Review:**

This policy will be presented by the Commissioner of Finance annually for review and adoption by the City Council.

**VI. FUND BALANCE**  
**2. Water and Sewer Funds**

**A. Purpose:**

For increased financial stability, the City of Saratoga Springs (City) desires to manage its financial resources by establishing a fund balance policy for the Water and Sewer Funds. This will ensure the City maintains a prudent level of financial resources to protect against reducing service levels or raising rates and fees because of temporary revenue shortfalls, unexpected one-time expenditures, emergencies and disasters.

**B. Background:**

The Governmental 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.

In April 2011 the Office of the State Comptroller (OSC) issued guidance on Fund Balance Reporting and Governmental Fund Type Definitions. The guidance addressed how the changes in GASB 54 were being implemented in the Annual Update Document and the effects on local government reporting.

**C. Definitions:**

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 can not be spent because they are in a non-spendable form.
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.
4. Committed (Unrestricted) – Consists of amounts constrained to specific purposes by a government itself using its highest level decision making authority (City Council). The City Council must take formal action before the end of the fiscal year to add or remove a constraint.

5. Assigned (Unrestricted) – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level decision making authority (City Council), or by the Council’s designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund. In funds other than the general fund, assigned fund balance will be the residual amount of fund balance.
6. Unassigned (Unrestricted) – This consists of all balances remaining after considering the other four categories for the general fund and could result in a surplus or a deficit. Use is least constrained in this category. In funds other than the general fund, such as the Water and Sewer funds, the unassigned classification should only be used to report a deficit balance.

**D. Classifications:**

1. Non-spendable
  - prepaid insurance
  - inventory
2. Restricted (Reserves)
  - Capital Reserves
  - Tax Stabilization Reserves
  - Debt Reserves
  - Repair Reserves
  - Insurance Reserve
  - Retirement Reserves
  - and other reserves allowed by State statutes.
3. Committed (Unrestricted)
  - OSC believes that in most cases, local governments will not have committed fund balance to report primarily due to the fact that reserves are allowed by State statutes.
4. Assigned (Unrestricted)
  - OSC believes that formal actions by the governing boards (resolutions, ordinances, and local laws) constitute a constraint of resources and will result in an assignment of resources.
  - Encumbrances will typically be considered an assignment of fund balance.
  - Residual amount of fund balances.
5. Unassigned (Unrestricted)
  - All deficit fund balances.

**E. Policy:**

**1. Reserves**

- a. The City shall strive to maintain a level of reserves to guard its users against a service disruption because reserves are essential to dealing with unforeseen emergencies or changes in condition
- b. Funding of reserves can come from surplus funds (excess of revenues over expenditures or one-time revenues) or other sources as designated by the City Council.
- c. All expenditures from or uses of reserve will require prior Council approval by adoption of Use of Reserve Resolution.
- d. Reserves shall only be used for the purpose in which they are intended.

**2. Assigned) Fund Balance – Residual amounts**

- a. The assigned fund balance residual amounts range for the Water and Sewer Funds shall be not less than 10.00% and not more than 25.00% of the total adopted budgeted expenditures of the Water and Sewer Funds, respectively.
- b. The Commissioner of Finance shall annually calculate and verify the City Council's compliance with this policy. In determining compliance, the following formula will be used: the audited balance available in the assigned fund balance residual amount of the City's Water and Sewer Funds for the most recently audited fiscal year, divided by the adopted expenditure budget for the ensuing fiscal year for the City's Water and Sewer Funds, respectively.
- c. The Commissioner of Finance shall report annually to the City Council the results of the calculation and make recommendations for the use of funds in the event of a surplus or the replenishment of funds in the event of a deficit.
- d. **Surplus:** In the event the assigned fund balance residual amounts of the City's Water and/or Sewer funds exceeds the maximum requirements, the excess may be utilized for any lawful purpose approved by the City Council. In order to minimize the long term effect of such use, the excess shall be appropriated to fund one time expenditures or expenses which do not result in recurring operating costs, or other one time costs including the establishment or increase in legitimate restrictions (reserves) of fund balance.
- e. **Deficit:** In the event the assigned fund balance residual amount or the unassigned fund balance for the City's Water and Sewer Funds falls below the minimum requirement of 10% for any fiscal year, the Commissioner of Finance shall prepare and submit to the City Council a plan to restore the balance to the minimum target level in the next budget year or other appropriate period of time.



### **3. Application of Funds:**

In instances where expenditures are incurred that will require the funding sources to be comprised of two or more types of fund balance categories, the order of exhaustion of the fund will be as follows:

- 1.Restricted
- 2.Committed
- 3.Assigned

### **F. Review:**

This policy will be presented by the Commissioner of Finance annually for review and adoption by the City Council.