

Town of Gardiner

Fund Balance Policy - ADOPTED 9/2/25

A. Purpose:

For increased financial stability, the Town of Gardiner (Town) desires to manage its financial resources by establishing a fund balance policy for the General and Highway Funds. This will ensure the Town 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, or disasters. In addition, this Policy is to be adopted to promote compliance with GASB Statement 54.

B. Background:

The Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54 (Statement 54), Fund Balance Reporting and Government Fund Type Definitions in February 2009. Statement 54 abandons the reserved and unreserved classifications of fund balances and replaces them with five new classifications: non-spendable, restricted, committed, assigned, and unassigned. In addition, Statement 54 updates the definitions of government fund types, with the most significant changes related to special revenue funds. These changes were made to bring greater clarity and consistency to fund balance reporting, resulting in an improved usefulness of fund balance information requirements of Statement 54 are effective for financial statements for periods ending June 30, 2011.

In April 2011, the Office of the State Comptroller (OSC) issued updated guidance on Fund Balance Reporting and Government Fund Type Definitions. ¹ The guidance addressed how the changes in GASB 54 were implemented in the Annual Financial Report (AFR)

Chapter 528 of the Laws of 2000 gives local governments the authority to carry over a "reasonable amount" of unappropriated unreserved fund balance from one year to the next.² This Policy establishes the percentage that the Town of Gardiner considers the "reasonable amount" for each class of fund and redefines the terminology set forth in Chapter 528 to follow GASB 54.

C. Definitions. ³

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 or legally or contractually required to be maintained intact.
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. Legal enforceability means that an external party can compel a government to use resources created by enabling legislation only for the purpose specified by the legislation.
4. Committed (Unrestricted) — Consists of amounts constrained to specific purposes by a government itself using its highest-level decision-making authority (Town Board). The amount to be committed may be determined after the date of the commitment. The Town Board must take formal action before the end of the fiscal year to add or remove a constraint.

1. <http://www.osc.state.ny.us/localgov/pubs/releases/gasb54.pdf>

2. See OSC accounting bulletin, Budgeting and Fund Balance Legislations, from July 2001 at www.osc.state.ny.us/localgov/pubs/releases/budfund.htm

3. GASB 54 paragraphs 5 – 17

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 (Town Board), or by the Board'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. Examples of Classification:

1. Non—spendable (alt funds)

Prepaid New York State Retirement Contributions

Prepaid Insurance

Inventories

2. Restricted

3. Committed (Unrestricted)

OSC believes that in most cases, local governments will not have committed fund balances to report primarily since reserves are allowed by New York State Statute.

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 assignment of resources. In Special Reserve Funds, the excess of revenues over expenses will result in an Assigned Fund Balance. Encumbrances, when used, will result in an assignment of fund balance. Appropriation of Unassigned Fund Balance to future periods.

5. Unassigned (Unrestricted)

All other unassigned fund balances

E. Fund Balance Policy and Procedures

The policy is based upon the rule that the Town of Gardiner has fully funded or reserved for all operating expenses incurred in prior years in the funds.

- a. The unassigned (unrestricted) fund balance for the General and Highway funds is considered to be in SURPLUS when it exceeds 20% of the total adopted budgeted expenditures (appropriations) of each fund and a DEFICIT when the balance is less than 20%.
- b. The Supervisor shall annually calculate and verify the Town's compliance with this policy. In determining compliance, the following formula will be used: the audited balance available in the unassigned (unrestricted) / assigned (unrestricted) fund balance of the Town's Funds for the most recently audited fiscal year, divided by the adopted expenditure budget for the ensuing fiscal year for each of the Town's Funds.
- c. The Supervisor shall report annually, after the receipt of the AFR, to the Town Board 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 unassigned (unrestricted) / assigned (unrestricted) fund balance of any of the Town's funds exceeds the maximum requirements, the excess may be utilized for any lawful purpose approved by the Town Board. To minimize the long-term effect of such use, the excess shall be appropriated to fund one-time expenditures or expenses that do not result in recurring operating costs, or other onetime costs, including the establishment or increase in legitimate restrictions (reserves) of fund balance.

- e. **deficit:** In the event the unassigned (unrestricted) / assigned (unassigned fund balance for the Town's funds falls below the minimum requirement for any fiscal year, the Supervisor shall prepare and submit to the Town Board a plan to restore the balance to the minimum target level in the next budget year or other appropriate period.

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. Reserved
2. Committed
3. Assigned
4. Unassigned
5. Contingency

F. Review:

The Supervisor will present this Policy annually after the receipt of the Annual Financial Report for review, modification, and/or adoption.

This Policy may be amended by Resolution of the Town Board, after receipt of the AFR, pursuant to applicable provisions of New York State Law.

