

2011

FUND BALANCE POLICY IN ACCORDANCE
WITH GASB 54



CITY OF
CLARKSTON

where possibilities grow

Keith Barker
City Manager
12/6/2011

A RESOLUTION 247

WHEREAS, the Government Accounting Standards Board ("GASB") has promulgated Statement Number 54 regarding governmental fund balance and reporting requirements; and

WHEREAS, the City of Clarkston desires to maintain appropriate fund balances in order to ensure the continuation of necessary public services in case of unanticipated events; and

WHEREAS, the City desires to report its fund balances in compliance with GASB 54; and

WHEREAS, the City desires to establish certain fund type definitions in compliance with GASB 54.

NOW, THEREFORE, BE IT RESOLVED BY THE City Council of the City of Clarkston that the City of Clarkston hereby adopts the "City of Clarkston Fund Balance Policy in Accordance with GASB 54" attached hereto and consisting of 3 pages.

BE IT FURTHER RESOLVED that the City Manager and City staff are instructed to conduct all fund balance and reporting consistent with said document.

SO RESOLVED, this 6 day of December, 2011.

CITY COUNCIL
CITY OF CLARKSTON, GEORGIA

EMANUEL RANSOM, Mayor

ATTEST:


Tracy Ashby, City Clerk

Approved as to form:

 12-6-11
Stephen G. Quinn, City Attorney

Purpose: The following policy has been adopted by the City of Clarkston in order to address the implications of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the City and jeopardize the continuation of necessary public services. This policy will ensure that the City maintains adequate fund balances and reserves in order to:

- a.) Provide sufficient cash flow for daily financial needs,
- b.) Secure and maintain investment grade bond ratings,
- c.) Offset significant economic downturns or revenue shortfalls, and
- d.) Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgate under it supersede all previous regulations regarding the City's fund balance and reserve policies.

Fund Type Definitions: The following definitions will be used in reporting activity in governmental funds across the City. The City may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

The **General Fund** is used to account for all financial resources except those required to be reported in another fund.

Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt services or capital projects.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital project funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's purposes.

Fund balance reporting in governmental funds. Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either a.) not in spendable form or b.) legally or contractually required to be maintained intact. Non-spendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The City will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the City)
- The City will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities)
- The City will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact.
- The City will maintain a fund balance equal to the balance of any land or other non-financial assets held for sale.

Restricted fund balance – Includes amounts that can be spent only for the specific purposes stipulated by constitutional provisions, external resource providers, or through enabling legislation.

Committed fund balance – Includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments will only be used for specific purposes pursuant to a formal action of the City Council. A majority vote is required to approve or remove a commitment.

Assigned fund balance – Includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. The City Council delegates the Finance Director the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance – Includes the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Operational guidelines. The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that the committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Implementation and review. Upon adoption of this policy the City Council authorizes the Finance Department to establish any standards and procedures which may be necessary for its implementation. The Finance Department shall review this policy at least annually and make any recommendations for changes to the City Council.

CITY OF CLARKSTON

FUND BALANCE POLICY
IN ACCORDANCE WITH GASB 54

Developed under the Authority
of the City of Clarkston Council by the
Department of Finance, and
approved by Ordinance/Resoultion

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