City of Calistoga Staff Report

TO:

Honorable Mayor and City Council

FROM:

Bill Mushallo, Administrative Services Director

DATE:

June 21, 2011

SUBJECT:

Consideration of a Resolution adopting a policy designating Fiscal Year 2010/2011 end fund balances for specific purposes to satisfy the requirements of GASB 54 as it relates to the City's

Comprehensive Annual Financial Report.

APPROVAL FOR FORWARDING:

Richard Spitler, City Manager

ISSUE: Consideration of a Resolution adopting a policy designating Fiscal Year 2010/2011 end fund balances for specific purposes to satisfy the requirements of GASB 54 as it relates to the City's Comprehensive Annual Financial Report

4 5

1

2

3

RECOMMENDATION: To review and adopt a policy committing future fund balances in accordance with GASB 54.

6 7 8

9

10

BACKGROUND: The Governmental Accounting Standards Board (GASB) released Statement 54 -"Fund Balance Reporting and Governmental Fund Type Definitions" on March 11, 2009 which is effective for fiscal year ending (June 30, 2011). This new

- 11 Statement is intended to improve the usefulness of the amount reported in fund balance
- 12 by providing more structured classification. This Statement applies to fund balance
- reported in the General Fund, Special Revenue Fund, Debt Service Fund, Capital
- 14 Projects Fund and Permanent Fund. This Statement does not apply to Enterprise
- 15 Funds, Internal Service Funds, and extremely restricted reserves.

16 17

18

Currently fund balance is classified as "reserved" or "unreserved." Unreserved fund balance may be further allocated into designated and undesignated. GASB 54 will

June 21, 2011 Special Council Meeting

Subject: Adopting a policy designating Fiscal Year 2010/2011 end fund balances for specific purposes to satisfy the requirements of GASB 54 as it relates to the City's Comprehensive Annual Financial Report

Page 2 of 2

21 22

23

34

35

36

37 38 39

40

41

44

45

46 47

48 49 50

- change how fund balance is reported. The hierarchy of five possible GASB 54 classifications is as follows:
 - Non-spendable Fund balance includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually (principal endowment) (e,g, inventory, pre-paid items, permanent scholarships).
- Restricted Fund Balance includes amounts constrained for a specific purpose by
 external parties (e.g. Debt Service, Capital Projects, State and Federal Grant
 Funds).
- Committed Fund Balance includes amounts constrained for a specific purpose by a
 government using its highest level of decision making authority (e.g. Major
 Maintenance, Capital Replacement Reserve, Land, Hail Reserve, and Campus
 Activity Funds).
- Assigned Fund Balance includes general fund amounts constrained for a specific purpose by a governing board or by an official that has been delegated authority to assign amounts.
 - Unassigned Fund Balance is the residual classification for the general fund.

In addition, governments will be required to disclose more information in the notes to financial statements about amounts reported in fund balance as follows:

- Description of authority and actions that lead to committed or assigned fund balance
- Government's policy regarding order in which restricted, committed, assigned, and unassigned amounts are spent (contained in attached resolution)
- Description of formally adopted minimum fund balance policies (contained in attached resolution)
 - The purpose of each major special revenue fund
 - Encumbrances, if significant

It is recommended that the City Council approve the attached resolution committing fund balances in Accordance with GASB 54 regulations.

<u>ATTACHMENT</u>

1. Resolution

52 53

51

RESOLUTION NO. 2011-___

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA, AUTHORIZING THE CITY MANAGER TO ESTABLISH FUND BALANCE POLICIES AS REQUIRED BY GASB 54 FOR THE FISCAL YEAR ENDING JUNE 30, 2011

WHEREAS, the Governmental Accounting Standards Board ("GASB") has

adopted Statement 54 ("GASB 54"), a new standard for governmental fund balance reporting and governmental fund type definitions that became effective in governmental
fiscal years starting after June 15,2010, and
WHEREAS, the City elects to implement GASB 54 requirements, and to apply
such requirements to its financial statements beginning with the current (June 30, 2011)
fiscal year, and
WHEREAS, The City's Unassigned General Fund Balance will be maintained to
provide the City with sufficient working capital and a margin of safety to address local
and regional emergencies without borrowing. The Unassigned General Fund Balance
may only be appropriated by resolution of the City Council; and
WHEREAS, In circumstances where an expenditure is to be made for a purpose
for which amounts are available in multiple fund balance classifications, the order in
which resources will be expended is as follows: restricted fund balance, followed by
committed fund balance, assigned fund balance, and lastly, unassigned fund balance;
and
WHEREAS, The City of Calistoga's financial goal is to have a sufficient balance
in the operating fund with sufficient working capital and a margin of safety to address
local and regional emergencies without borrowing.
NOW, THEREFORE BE IT RESOLVED that the City Council of the City of
Calistoga authorizes the City Manager to strive to maintain a yearly fund balance in the
general operating fund in which the total fund balance is 25 percent of the total operating
expenditures. Other unreserved funds may be further categorized into non-spendable,
restricted, committed, assigned or unassigned funds.
PASSED, APPROVED, AND ADOPTED by the City Council of the City of
Calistoga at a regular meeting held this 21st day June 2011 following vote:
Calistoga at a regular meeting field this 21st day bulle 2011 following vote.
AYES:
NOES:
ABSTAIN/ABSENT:
JACK GINGLES, Mayor
ATTEST:
ATTECT.
SUSAN SNEDDON, City Clerk
Cookit Citabolit and along