

City of Calistoga

Staff Report

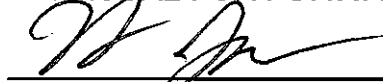
TO: Honorable Mayor and City Council

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 Spittler, City Manager

1 **ISSUE:** Consideration of a Resolution adopting a policy designating Fiscal Year
 2 2010/2011 end fund balances for specific purposes to satisfy the requirements of GASB
 3 54 as it relates to the City's Comprehensive Annual Financial Report

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

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8 **BACKGROUND:** The Governmental Accounting Standards Board (GASB) released
 9 Statement 54 -"Fund Balance Reporting and Governmental Fund Type Definitions" on
 10 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
 13 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.

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17 Currently fund balance is classified as "reserved" or "unreserved." Unreserved fund
 18 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

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19 change how fund balance is reported. The hierarchy of five possible GASB 54
20 classifications is as follows:

- 21 • Non-spendable Fund balance includes amounts not in spendable form, such as
22 inventory, or amounts required to be maintained intact legally or contractually
23 (principal endowment) (e.g, inventory, pre-paid items, permanent scholarships).
- 24 • Restricted Fund Balance includes amounts constrained for a specific purpose by
25 external parties (e.g. Debt Service, Capital Projects, State and Federal Grant
26 Funds).
- 27 • Committed Fund Balance includes amounts constrained for a specific purpose by a
28 government using its highest level of decision making authority (e.g. Major
29 Maintenance, Capital Replacement Reserve, Land, Hail Reserve, and Campus
30 Activity Funds).
- 31 • Assigned Fund Balance includes general fund amounts constrained for a specific
32 purpose by a governing board or by an official that has been delegated authority to
33 assign amounts.
- 34 • Unassigned Fund Balance is the residual classification for the general fund.

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

- 38
- 39 • Description of authority and actions that lead to committed or assigned fund balance
- 40 • Government's policy regarding order in which restricted, committed, assigned, and
41 unassigned amounts are spent (contained in attached resolution)
- 42 • Description of formally adopted minimum fund balance policies (contained in
43 attached resolution)
- 44 • The purpose of each major special revenue fund
- 45 • Encumbrances, if significant

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

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50 **ATTACHMENT**

51

- 52 1. Resolution

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