

RESOLUTION NO. 4648-11

**RESOLUTION APPROVING ADOPTION OF A FUND BALANCE POLICY IN
ACCORDANCE WITH GASB STATEMENT NO. 54**

WHEREAS, the Governmental Accounting Standards Board ("GASB") has adopted Statement No. 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 Council elects to implement GASB 54 requirements, and to apply such requirements to its financial statements beginning with the current October 1, 2010 – September 30, 2011 fiscal year;

NOW, THEREFORE, BE IT RESOLVED by the City Council of Foley, Alabama, as follows:

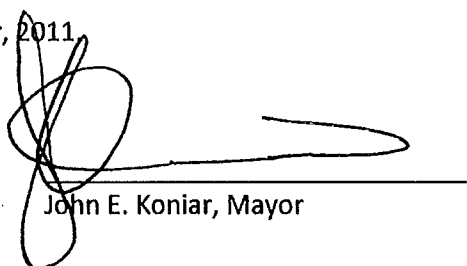
SECTION 1: The City Council adopts a Fund Balance Policy in accordance with GASB Statement No. 54 effective for the current fiscal year of October 1, 2010 – September 30, 2011.

SECTION 2: The Fund Balance Policy in its entirety is attached to and made a permanent part of this resolution.

SECTION 3: All ordinances, resolutions, orders, or parts of any thereof, of the Council in conflict, or inconsistent, with any provision of this resolution hereby are, to the extent of such conflict or inconsistency, repealed.

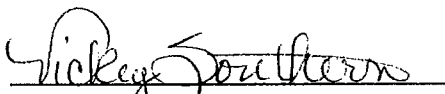
SECTION 4: This resolution shall become effective immediately upon its adoption as required by law.

PASSED, ADOPTED AND APPROVED this 6th day of September, 2011.



John E. Koniar, Mayor

ATTEST:



Vickey Southern, CMC
City Clerk

Fund Balance Policy in Accordance with GASB Statement No. 54

Purpose. The following policy has been adopted by the City of Foley (the "City") in order to address the implications of 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. Maintain the provision of funds for unforeseen expenditures related to emergencies (minimum fund balance goal).

This policy and the procedures promulgated under it supersede all previous regulations regarding the City's fund balance, less and except the undesignated fund balance goal established by Resolution No. 3649-09.

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 not accounted for and 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 service 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 projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

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:

Nonspendable fund balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Inventories and prepaid expenses are examples of nonspendable fund balance.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

City of Foley
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Adopted September 6, 2011

- 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 and actually result in fund balance)
- The City will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale

Restricted fund balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation. The V.F.D. Ad Valorem Fund, the Corrections Fund, and resources from other granting agencies are examples of Restricted Fund Balance

Committed fund balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority (the City Council). Resolutions approving spending for capital improvements, potential claims and judgments, and certain contracts are examples of committed fund balance.

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Council. A majority vote is required to approve a commitment or to alter or remove a commitment.

Assigned fund balance

Definition – 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 self-insured insurance savings reserve account and the Library Fund are examples of assigned fund balance.

Authority to Assign – The City delegates to the City Administrator or their designee 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. The City Administrator or their designee, upon assignment, removal or change in assignment, will inform Council of the action by placing an informational item in the Council packet of the next scheduled meeting.

Unassigned fund balance

Definition – 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.

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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 nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

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 committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum unassigned fund balance – The City Council, by adoption of Resolution No. 3649-09, elected to establish a minimum undesignated (unassigned) fund balance in its general fund equal to 25% of the fiscal year original budgeted expenditures, including debt service/other expenditures, as a safeguard against financial demands such as major natural disasters or other unforeseen events.

Replenishing deficiencies – when undesignated (unassigned) fund balance falls below the minimum, the City will replenish shortages/deficiencies using the budget strategies and timeframes described below.

The following budgetary strategies shall be utilized by the City to replenish funding deficiencies:

- The City will reduce recurring expenditures to eliminate any structural deficit or,
- The City will increase revenues or pursue other funding sources, or,
- Some combination of the two options above

Minimum fund balance deficiencies shall be replenished within the following time periods:

- Deficiency resulting in a minimum fund balance between 23.5 percent and 25 percent shall be replenished over a period not to exceed one year
- Deficiency resulting in a minimum fund balance between 20 percent and 23.5 percent shall be replenished over a period not to exceed three years
- Deficiency resulting in a minimum fund balance of less than 20 percent shall be replenished over a period not to exceed five years

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



Official
City of Foley
Email

Vickey Southern <vsouthern@cityoffoley.org>

GASB Statement 54 Implementation

1 message

Sue Steigerwald <ssteigerwald@cityoffoley.org>

Mon, Aug 29, 2011 at 11:26 AM

To: Michael Thompson <mthompson@cityoffoley.org>

Cc: Vickey Southern <vsouthern@cityoffoley.org>

Mike,

Attached is an agenda request form and a draft resolution and policy for implementation of GASB 54.

Deborah from O'Sullivan Creel will be here tomorrow as we continue working together to allocate this year's fund balances in accordance with the statement. If you would like to meet and discuss the details of Statement 54 or any aspects of the policy just let me know.

Also, any changes to the \$500k assignment of funds for self-insurance will need to be included as an informational item in the 9/19 packets in order to be recognized in this year's fund balance assignment.

Vickey, please place on 9/6 agenda. I will provide you with the finalized resolution and policy no later than close of business Thursday for inclusion in the packets. Please let me know if you need this sooner.

Thanks,

Sue

3 attachments



Agenda Req- Policy.docx

12K



Resolution -adopt policy.docx

22K



Policy-GASB54.docx

51K

AGENDA REQUEST FORM

DATE OF WORK SESSION: September 6, 2011

DATE OF COUNCIL MEETING: September 6, 2011

DEPARTMENT AND PERSON SUBMITTING ITEM: Finance, Sue Steigerwald

DESCRIPTION OF TOPIC: (who, what, when, where, why, and how much)

Request adoption of a policy in accordance with Governmental Accounting Standards Board Statement No. 54.

DESCRIPTION FOR PUBLISHED AGENDA:

Request adoption of a policy in accordance with Governmental Accounting Standards Board Statement No. 54.

IS DOCUMENTATION ATTACHED (See attached list): ☒ Yes ☐ No

If item was previously approved under a Resolution or Ordinance have you included the number in the documentation? ☐ Yes ☐ No ☒ N/A

Is a copy of the Resolution/Ordinance attached? ☐ Yes ☐ No ☒ N/A

SOURCE OF FUNDING:

Please provide the amount requested: N/A

Is this a budgeted item? ☐ Yes ☐ No N/A

Please provide the budgeted amount: \$ N/A Account No. N/A

If budgeted, is this a capital purchase, capital project, or special fund? _____

Was this item included in the Fiscal Year Capital Projects Plan? ☐ Yes ☐ No

If yes, please provide the amount included in Capital Projects Plan: \$ _____

=====Do Not Write Below This Line=====

Verified by the Finance Department:

Reviewed by: SS Date: 8/31/11

Clerk's Office: Received by: BS Date: 8-30-11 Time: _____

City of Foley, Alabama
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2010

ASSETS	General Fund	Capital Projects Fund	Public Facilities Cooperative District	General Obligation Warrant Obligation 2009	Non-Major Governmental Funds	Total Governmental Funds
Cash	\$ 7,707,872	\$ 100	\$ 2,350,741	\$ 496,491	\$ 1,053,576	\$ 11,608,780
Certificates of deposit	12,000,000				16,225	12,016,225
Investments	300,594					300,594
Receivables						
Utility tax equivalents	545,595					545,595
Gasoline excise tax					5,090	5,090
Property and advalorem taxes	18,713				1,511	20,224
Sales and other local taxes	921,225					921,225
Sanitation	43,268					43,268
Sewer assessments	7,048					7,048
Grants	100,917	1,534,218				1,635,135
Other	1,025,047			15	80	1,025,142
Due from other funds	898,822		151,256			1,050,078
Inventories	57,544					57,544
Prepaid expenses	85,437					85,437
Equity in Alabama Municipal Insurance Corporation	34,666					34,666
Total assets	\$ 23,746,748	\$ 1,534,318	\$ 2,501,997	\$ 496,506	\$ 1,076,482	\$ 29,356,051
LIABILITIES						
Accounts payable	\$ 786,208	\$	\$	\$	\$	\$ 786,208
Accrued expenses	482,231	30,688				512,919
Due to other funds	151,256		563,697	328,930	6,195	1,050,078
Deferred revenue	235,533					235,533
Total liabilities	1,655,228	30,688	563,697	328,930	6,195	2,584,738
FUND BALANCES						
Reserved for:						
Debt service			1,884,743	167,576	83,125	2,135,444
Current and future projects		1,503,630			987,162	2,490,792
Inventory	57,544					57,544
Unreserved:						
Undesignated	22,033,976		53,557			22,087,533
Total fund balances	22,091,520	1,503,630	1,938,300	167,576	1,070,287	26,771,313
Total liabilities and fund balances	\$ 23,746,748	\$ 1,534,318	\$ 2,501,997	\$ 496,506	\$ 1,076,482	\$ 29,356,051

The accompanying notes are an integral part of these financial statements.

PRELIMINARY RE-ALLOCATION OF 09/30/2010 FUND BALANCES PER GASB STATEMENT NO. 54

	GENERAL FUND	CAPITAL PROJECTS FUND	PUBLIC FACILITIES COOPERATIVE DISTRICT	GENERAL OBLIGATION WARRANT 2009	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
FUND BALANCES						
Non-Spendable	\$ 179,924	\$ -	\$ -	\$ -	\$ -	179,924
Restricted for:						
Debt Service	-	-	1,884,743	167,576	83,125	2,135,444
Capital Projects	-	1,503,630	-	-	-	1,503,630
Other	15,794	-	-	-	860,369	876,163
Committed	4,437	-	53,557	-	-	57,994
Assigned	493,685	-	-	50	126,743	620,478
Unassigned	21,397,680	-	-	-	-	21,397,680
Total Fund Balances	\$ 22,091,520	\$ 1,503,630	\$ 1,938,300	\$ 167,626	\$ 1,070,237	\$ 26,771,313