

Council Communication

August 16, 2016 Business Meeting

A Resolution Updating the City of Ashland's Implementation of Governmental Accounting Standards Board Statement 54 - *Fund Balance Reporting and Governmental Fund Type Definitions* and Repealing Resolution No. 2011-17

FROM:

Lee Tuneberg, Administrative Services/Finance Director, Lee.Tuneberg@ashland.or.us

SUMMARY

If approved this action will update the City's accounting practices and records to be compliant with Governmental Accounting Standards Board Statement 54, recognizing recent changes in funds and revenue streams.

BACKGROUND AND POLICY IMPLICATIONS:

Governmental Accounting Standards Board Statement 54 (GASBS 54) is the requirement within generally accepted accounting principles intended to improve financial reporting and comparability beyond what GASB 34 accomplished. GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions* provides strong guidelines for presentation of information and clarity for the reader. It does not change the calculation or total of a fund balance, only the accounting and presentation. It only applies to agency "general funds" and to other governmental funds. It does not apply to enterprise funds.

Governmental funds are defined as funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds. In Ashland, this resolution will apply to the General Fund, Reserve Fund, Street Fund, Airport Fund, Capital Improvement Fund, Debt Service Fund, Cemetery Trust Fund and all three Ashland Parks & Recreation funds with the Youth Activity Levy Fund being eliminated and the Parks Equipment Fund being added.

The statement calls for standardization of the terms and definitions, providing for up to five components of fund balance:

- A. Nonspendable fund balance – portion that can't be spent because these elements are not cash or have legal restrictions. Example is the Cemetery Trust monies.
- B. Restricted fund balance – portion that can't be spent because of external legal or contractual restrictions. Examples are grants, systems development charges or bond covenants.



- C. Committed fund balance – portion that can be spent only with the same executive action taken by the elected board that imposed the restriction. Example is a reserve for a specific use like the parking ticket surcharge kept in the General Fund.
- D. Assigned fund balance – portion that can be spent with action taken by an individual or group below elected board that imposed the restriction. Example is a reserve for specific use like the housing program.
- E. Unassigned fund balance – portion deemed to be residual net resources (amounts in excess of the above four categorizations) found in a “general fund.” The City’s general fund is the only one with this category.

All municipalities using the above defining categories to present their respective fund balances will provide better understanding and comparability across agencies. Additionally, the various revenues to the funds are accounted for with the same categories of restrictions or commitments identified above and matched with expenditures that meet the qualifications. A good example is forfeiture monies in the general fund are accounted for upon receipt, accumulated in the fund balance and only spent on qualifying goods or services per the program.

The proposed resolution includes the following updates to address changes in accounting or budgeting or to provide clarity beyond 2011-17.

1. Commitment of Grubbs Investigation reward in the General Fund per resolution 2012-02.
2. Clarification that if financing is done in any fund, any unused portion would be restricted per covenants.
3. Airport balances are restricted by Federal Aviation Administration grant requirements.
4. Clarity for changes in budgeting and accounting for Parks, Parks improvements and equipment.

Further change in budgeting or accounting for the funds identified, or the addition of new funds, will require updates to this resolution.

COUNCIL GOALS SUPPORTED:

N/A

FISCAL IMPLICATIONS:

There is no direct financial implication, only clarification of the elements held in governmental fund balances.

STAFF RECOMMENDATION AND REQUESTED ACTION:

Staff recommends Council approve the attached resolution.

SUGGESTED MOTION:

I move to approve a resolution updating the City of Ashland’s implementation of GASB 54.

ATTACHMENTS:

Draft resolution
Resolution No. 2011-17



RESOLUTION NO. _____

**A RESOLUTION UPDATING THE CITY OF ASHLAND'S
IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING
STANDARDS BOARD STATEMENT 54 - *Fund Balance Reporting and
Governmental Fund Type Definitions*
AND REPEALING RESOLUTION No. 2011-17**

THE CITY OF ASHLAND RESOLVES AS FOLLOWS:

The City of Ashland prepares financial reports in keeping with generally acceptable accounting principles (GAAP) as established by national and state guidelines. The Governmental Accounting Standards Board (GASB) is the primary organization that provides financial reporting requirements through their statements on accounting standards.

GASB issued statement 54 that standardizes presentations of fund balances in governmental fund types to promote consistency and comparability between entities. City of Ashland adopted and implemented GASBS 54 to be compliant with GAAP reporting with Resolution 2011-17 for the FY 2011 in the Comprehensive Annual Financial Report.

From time to time changes in revenue streams, accounting and budgeting practices may require updating financial reporting consistent with GASBS 54.

SECTION 1. Council updates the accounting and reporting of governmental type funds consistent with GASBS 54 effective with the financial report for the year ending June 30, 2016.

SECTION 2. The existing funds and elements of fund balance that are thought to be subject to this implementation include those presented in Attachment A, the table below.

SECTION 3. New funds and new revenues identified after approval of this resolution shall be evaluated for consistency with GASBS 54 and will be accounted for and reported accordingly.

SECTION 4. Copies of this resolution shall be maintained in the Office of the City Recorder and shall be available for public inspection during regular business hours.

SECTION 5. This resolution takes effect upon signing by the Mayor.

This resolution was read by title only in accordance with Ashland Municipal Code §2.04.090 duly PASSED and ADOPTED this _____ day of August, 2016.

Barbara Christensen, City Recorder

SIGNED and APPROVED this _____ day of _____, 2016.

John Stromberg, Mayor

Reviewed as to form:

David Lohman, City Attorney

Attachment A:

City of Ashland		
GASBS No. 54 Update		
Funds	Fund Balance Components	Notes
City:		
General Fund:		
Asset Forfeiture	Restricted	Federal Money
Transient Occupancy (Lodging) Tax (2/7)	Restricted	State Restriction
Transient Occupancy (Lodging) Tax (5/7)	Committed	Council Resolution
Downtown Parking	Committed	Council Resolution
Public Arts	Committed	Council Resolution
Affordable Housing	Committed	Council Resolution
Grubbs Investigation	Committed	Council Resolution
Remaining Balance	Unassigned	
Reserve Fund	Unassigned	Treated Like General Fund until a policy is adopted.
Community Development Block Grant	Restricted	Federal Money
Street Fund:		
Gas Tax	Restricted	State Restriction
System Development Charges	Restricted	State Restriction
Capital Project Financing	Restricted	Financing Covenant
Remaining Balance	Committed	
Airport Fund	Restricted	FAA grant requirement
Capital Improvement Fund:		
System Development Charges	Restricted	State Restriction
Capital Project Financing	Restricted	Financing Covenant
Food and Beverage	Committed	Council Resolution
Remaining Balance	Committed	
Debt Fund	Restricted	
Cemetery Trust Fund	Restricted	
Parks:		
Parks & Recreation Fund	Committed	
Capital Improvements Fund:		
System Development Charges	Restricted	State Restriction
Capital Project Financing	Restricted	Financing Covenant
Food and Beverage	Committed	Council Resolution
Remaining Balance	Committed	
Equipment Fund	Committed	