

RESOLUTION NO. 1116

A RESOLUTION ADOPTING A FUND BALANCE POLICY FOR THE CITY OF CANBY.

WHEREAS, the Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions", requires financial statements for fiscal year 2010-11 and after to indicate the breakdown of fund balance into five categories as described in GASB No. 54; and

WHEREAS, the City wishes its financial statements to conform to current generally accepted accounting standards (GAAP); and

WHEREAS, there is attached hereto as Exhibit "A" to this Resolution a "City of Canby Fund Balance Policy" which incorporates the requirements of GASB No. 54; now therefore

IT IS HEREBY RESOLVED by the City of Canby as follows:

1. The "City of Canby Fund Balance Policy", as shown in Exhibit "A", is hereby adopted.
2. The policy will be applied in the preparation of the fiscal year 2010-11 financial statements and subsequent financial statements.

This resolution will take effect on November 16, 2011.

ADOPTED this 16th day of November 2011 by the City of Canby City Council.



Randy Carson
Mayor

ATTEST:



Kimberly Scheafer, MMC
City Recorder

EXHIBIT "A"

CITY OF CANBY FUND BALANCE POLICY

DATE ADOPTED: November 16, 2011

PURPOSE OF POLICY: The purpose of this policy is to outline the procedure for categorizing the different components of ending fund balance in conformity with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The goal of Statement 54 is to better define the constraints placed on the different components that make up fund balance.

FUND BALANCE DEFINITION: Accountants use the term **FUND BALANCE** to describe the difference between the assets and liabilities reported in a governmental fund. Typically a financial reporting unit (i.e. business, proprietary fund, fiduciary fund) reports all related assets and all related liabilities. The difference between the two is labeled NET ASSETS and might be described as a measure of net worth. Because governmental funds report only a subset of related assets (i.e. financial assets) and liabilities (i.e. those normally expected to be liquidated with current financial resource), the difference between the two is more of a measure of liquidity than of net worth. Accountants underscore this distinction by using the term FUND BALANCE in governmental funds, rather than the term net assets employed elsewhere. As an approximate measure of liquidity, fund balance is similar to the working capital of a private-sector business.

BACKGROUND: GASB adopted Statement No. 54 "FUND BALANCE REPORTING" in February 2009 with an effective date starting with fiscal year 2010-11. Starting with the 2010-11 fiscal year the Financial Statements shall indicate the breakdown of fund balance into five categories as follows:

POLICY: The components of fund balance will be categorized into one of five categories:

- 1.Non-spendable fund balance** (Inherently non-spendable) – A portion of net resources that cannot be spent because of their form and/or cannot be spent because they must be maintained intact. Examples include:
 - 1.Pre-paid items (i.e. paying insurance premium ahead of time)
 - 2.Inventories of supplies (a major bulk buying item i.e. water pipe)
 - 3.Long-term portion of loans receivable (inter fund loan)
 - 4.Financial assets held for resale such as foreclosure properties
 - 5.Principal of an endowment (judiciary fund i.e. library)
 - 6.Capital of a revolving loan fund
- 2.Restricted fund balance** (externally enforceable limitations on use) – Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments. Limitations may also be imposed by law through constitutional provisions or enabling legislation. Examples include:
 1. Specific Purpose Grants
 2. State Gas Tax Funds
 3. Restriction from other governments through laws and regulations
 4. Creditors through debt covenants
 5. Contributors for specific purposes

6. PEG (Public, Educational and Governmental) fees

3. Committed fund balance (self-imposed limitations set in place prior to the end of the period by highest level of decision making – City Council) – Limitation imposed at highest level of decision making (recommended to be in the form of a resolution) that requires formal action at the same level to remove. Examples include:

1. City Council decision to commit franchise fees to transportation projects in Street Fund
2. Stabilization arrangements (rainy day funds)

4. Assigned fund balance (limitation resulting from intended use) – City Council has delegated decision making authority to some other body (i.e. budget committee, Management Team, etc) designated for that purpose or by official (i.e. Budget Officer or City Manager/Executive Director/General Manager) designated for that purpose. Less formality is necessary in the case of assigned fund balance. Examples include:

1. City Council delegates amount to save for purchasing a dump truck to the City Administrator who sets aside \$20,000/year with a \$100,000 goal.
2. City Council delegates to the City Administrator the amount used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year's budget.
3. City Council delegates to the City Administrator the responsibility to insure that unappropriated ending fund balance along with other cash carry forward is adequate to fund operations until tax revenue is available in November each year.
4. The City will consider all amounts as budgeted to be designated as **assigned**, unless amounts are otherwise committed in the form of resolution or restricted if it meets the limitations discussed above. Any balances that are budgeted as unappropriated will be considered by the City to be unassigned.

5. Unassigned fund balance (residual net resources) – For the general fund this classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. Total fund balance in the general fund in excess of other categories (surplus). In funds other than general fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance. (deficit)

6. Order of spending resources- When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed.

In summary, new categories for fund balance consider "the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent".