MOORPARK CITY COUNCIL
AGENDA REPORT

TO: **Honorable City Council**

FROM: **Ron Ahlers, Finance Director**

DATE: **June 2, 2014 (City Council Meeting of June 18, 2014)**

SUBJECT: **Consider Resolution Designating Fund Balance Commitments and Assignments as Required by GASB 54**

BACKGROUND

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* to address issues related to how fund balance was being reported in governmental financial statements. The intent of the Statement is to bring greater clarity and consistency to fund balance reporting in the governmental sector. The City was required to implement GASB 54 as of the fiscal year ending June 30, 2011, and maintain it each year thereafter. The City Council adopted a fund balance policy (Policy 5.8) on June 15, 2011.

GASB 54 requires that the fund balance policies be adopted each year prior to June 30th by the City Council. The funds comprising the Redevelopment Agency for the City of Moorpark (MRA) are no longer listed since the MRA is officially dissolved. The funds comprising the Successor Agency to the Redevelopment Agency of the City of Moorpark are not listed since GASB requires these funds to be accounted as a Fiduciary Fund, specifically a "Private Purpose Trust Fund". They are held separate and apart from the City of Moorpark.

A new resolution is proposed to designate the commitments and assignments of fund balance for June 30, 2014. Except as noted above for the former MRA funds there are no changes to the fund designations from the prior year.

DISCUSSION

GASB 54 has fund balance classifications with specific definitions for purposes of financial statement reporting. GASB 54 has redefined governmental fund types, most notably the Special Revenue fund type.

Overview of GASB 54

GASB 54 has set forth the following classifications of fund balance.

Nonspendable - amounts that are not in a spendable form (such as petty cash, pre-paid items, inventory or land/property held for resale).

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (resolution or ordinance); to be reported as Committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned - amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned - amounts that are available for any purpose; these amounts are reported only in the General Fund.

In addition, GASB 54 redefines the Special Revenue fund type. GASB 54 clarifies that a Special Revenue fund may only be established when at least one revenue source is *Restricted* or *Committed* to purposes other than capital projects or debt service. Finally, GASB 54 requires disclosure in the Notes to the Financial Statements to provide additional detail regarding:

- The purposes of Restrictions, Commitments, and Assignments;
- The decision-making authority and formal action that result in Committed fund balance;
- The bodies or persons with authority to express intended uses of resources that result in Assigned fund balance;
- The order in which the government spends Restricted, Committed, Assigned and Unassigned fund balance;
- Information about minimum fund balance policies; and
- The purpose and revenue sources for each Special Revenue fund.

Fund Type Classification

The City currently has one fund reported as Special Revenue with a majority of its revenue as general purpose property taxes (Library Fund). Staff recommends that this fund continue to exist as a Special Revenue Fund. Staff recommends the City Council "commit" these funds for the purpose of providing Library services.

Fund Balance Classification

GASB 54 requires the governing body to take action on fund balance classifications prior to each fiscal year end (June 30, 2014). In other words, Commitments and Assignments appearing on the June 30, 2014 balance sheet must be acted on prior to June 30, 2014. The action does not need to include the exact dollar amount, but should provide clear direction to determine the amount once the City's books are closed for the fiscal year. GASB 54 recommends that the City Council take formal action either by resolution or ordinance to Commit fund balance. GASB 54 allows the governing body to delegate a level of authority to Assign fund balance. Staff recommends that Commitments and Assignments of fund balance be made by resolution of the City Council.

Nonspendable - These funds may have a portion of their fund balances classified as Nonspendable: General Fund (1000).

Restricted - All Special Revenue fund balances will be classified as Restricted.

Committed - Due to the specific nature of fund balance Commitments, such as a contractual obligation for a particular project, staff recommends one commitment of fund balance; that for the Library Fund as mentioned previously.

Assigned - Staff recommends that the City Council assign the entire fund balance of the Capital Projects Funds for the future design and construction of infrastructure improvement projects. These funds are: Capital Projects (4000), City Hall Improvement (4001), Police Facilities (4002), Equipment Replacement (4003), Special Projects (4004) and Moorpark Highlands (4010). If the City Council adopts Staff's recommendation, any future changes to the Assignment of the Capital Project Funds fund balance would need to be adopted by the City Council.

Unassigned - Unassigned fund balance will only be reported in the General Fund. If there is a deficit fund balance to be reported in any other fund, it will be classified as Unassigned.

Creation of New Funds

When the City creates new funds, staff will recommend which fund balances will be committed or assigned, if any. The City Council will approve of such committed or assigned fund balances by the adoption of a resolution.

FISCAL IMPACT

There are no fiscal impacts as a result of GASB 54. GASB 54 deals with the terminology and designation of "fund balance" within the CAFR reporting of the Governmental Funds of the City.

STAFF RECOMMENDATION (ROLL CALL VOTE REQUIRED)

Adopt Resolution No. 2014-____, designating fund balance commitments and assignments as required by GASB 54.

Attachments:
Resolution No. 2014-_____.

RESOLUTION NO. 2014-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, DESIGNATING FUND BALANCE COMMITMENTS AND ASSIGNMENTS AS REQUIRED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) 54

WHEREAS, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54); and

WHEREAS, for financial statement reporting purposes, GASB 54 defines Committed amounts as those constrained to specific purposes by the government itself; and

WHEREAS, for financial statement reporting purposes, GASB 54 defines Assigned amounts as those the government intends to use for a specific purpose; and

WHEREAS, the City Council adopted Policy 5.8, Fund Balance Reporting as Required by Governmental Accounting Standards Board Statement No. 54 (GASB 54), in City Council Policies Resolution No. 2014-3294 on May 21, 2014.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council designates the following Committed Fund Balances: Library Fund (1010) for the purpose of providing library services.

SECTION 2. The City Council designates the following Assigned Fund Balances for the future design and construction of infrastructure improvement projects: Capital Projects (4000), City Hall Improvement (4001), Police Facilities (4002), Equipment Replacement (4003), Special Projects (4004) and Moorpark Highlands (4010). The City Council designates the following Assigned Fund Balances for use only within the departments the funds represent: Community Development (2200) and Engineering Public Works (2620).

SECTION 3. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original resolutions.

PASSED AND ADOPTED this 18th day of June, 2014.

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Janice S. Parvin, Mayor

ATTEST:

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Maureen Benson, City Clerk