

**TOWN OF
APPLE VALLEY, CALIFORNIA**

AGENDA MATTER

Subject Item:

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NUMBER 54 FUND BALANCE CLASSIFICATIONS

Summary Statement:

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 53, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of this statement are intended to improve financial reporting by providing fund balance categories and classifications that will be more easily understood. The categories are more clearly defined to make the nature and extent of the constraints placed on a government's fund balance more transparent.

Part of the implementation of this statement for financial reports beginning with Fiscal Year 2010-11, is the formal approval of the reclassification of the various components of fund balance. The previous components of fund balance were reserved fund balance, and unreserved fund balance. Unreserved fund balance was further separated into designated and undesignated. The new components are nonspendable, restricted, committed, assigned and unassigned as detailed and defined herein.

In accordance with GASB Statement No. 54, the Town Council may delegate to the Director of Finance the determination of the Assigned Fund Balance components to be reported in the Comprehensive Annual Financial Report (CAFR). Prior to GASB Statement No. 54, these amounts were reported by the Director of Finance as unreserved and designated. Another requirement of the GASB Statement No. 54 is that the Council adopt by resolution the amount of any Committed Fund Balance.

(continued)

Recommended Action:

1. Adopt Resolution Number 2011-34 approving the reclassification of the various components of fund balance as defined in Governmental Accounting Standards Board (GASB) Statement Number 54; and
2. Delegate to the Director of Finance the authority to determine the reclassifications and portion of the fund balance to be reported as assigned in the Town's Comprehensive Annual Financial Report.

Proposed by: _____ Marc Puckett, Director of Finance _____ **Item Number** _____

T. M. Approval: _____ **Budgeted Item** Yes No N/A

ANALYSIS:

GASB Statement No. 54 defines five new components of fund balance that will replace the current existing three components. The five new components are:

Nonspendable Fund Balance – That portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form, such as prepaid items, inventories of supplies, or loans receivable; or (b) legally or contractually required to be maintained intact, such as the principal portion of an endowment. This category was traditionally reported as a “reserved” fund balance under the old standard.

Restricted Fund Balance – That portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either (a) externally exposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. This category was traditionally reported as “reserved” fund balance under the old standard.

Committed Fund Balance – That portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, and remain binding unless removed in the same manner. This category was traditionally reported as “designated” fund balance under the old standard.

Assigned Fund Balance – That portion of fund balance that includes amounts that are constrained by the governments’ intent to be used for specific purposes, but that are neither restricted nor committed. Such intent needs to be established at either the highest level of decision-making, or by an official designated for that purpose. This category was traditionally reported as “designated” fund balance under the old standard.

Unassigned Fund Balance – That portion of fund balance that includes amounts that do not fall into one of the above four categories. The General Fund is the only fund that should report this category of fund balance. This category of fund balance was traditionally reported as “undesignated” fund balance under the old standard.

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In the Fiscal Year 2009-10 CAFR, there are no items that need to be reclassified as committed fund balance in the Fiscal Year 2010-11 CAFR. This determination will need to be made on an annual basis as part of the year-end review/closing procedures.

Attachment: Resolution Adopting GASB 54 Standards

RESOLUTION NO. 2011-34

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY ADOPTING THE GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT NO. 54 ENTITLED "FUND BALANCE REPORTING AND GOVERNMENT FUND TYPE DEFINITIONS"

WHEREAS, the Governmental Accounting Standards Board has issued Statement No. 54 entitled "Fund Balance Reporting and Government Fund Type Definitions"; and

WHEREAS, the Town Council of the Town of Apple Valley ("Town") desires to classify the various components of fund balance reported by the Town as defined in Governmental Accounting Standards Board Statement No. 54.

NOW, THEREFORE, BE IT RESOLVED, that the Town Council approves the reclassification of the various components of fund balance in accordance with GASB NO. 54; and

BE IT FURTHER RESOLVED, that the Town Council delegates to the Director of Finance the authority to determine the portion of the fund balance to be reported as "Assigned" in the Town's Comprehensive Annual Financial Report (CAFR).

APPROVED, AND ADOPTED this 28th day of June, 2011, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

MAYOR

ATTEST:

TOWN CLERK