



Legislation Text

File #: RES 11-2559, **Version:** 1

Approving commitment and assignment of fund balances and flow of resources in determining the composition of ending fund balance.

WHEREAS, the Governmental Accounting Standards Board (GASB) has issued Statement No. 54, which changes the classifications used for fund balance reporting on balance sheets of Governmental Funds (Exhibit 1), and

WHEREAS, the Office of Financial Services has reviewed the classifications, and

WHEREAS, the GASB Statement 54 definition of special revenue funds states that special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects, and

WHEREAS, the GASB Statement 54 definition of the proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund and expected to continue to comprise a substantial portion of the inflows reported in the fund, and

WHEREAS, the GASB Statement 54 definition of restricted fund balance describes that fund balance should be reported "as restricted" when constraints placed on the use of resources are either: (a) externally imposed by credits, grantors, contributors or laws or regulations of other government; (b) or imposed by law through conditional provisions or enabling legislation, and

WHEREAS, the GASB Statement 54 definition of committed fund balance describes that portion of fund balance that represents resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision making, and

WHEREAS, the Office of Financial Services has concluded and recommended that any commitment of funds' resources will initially only apply to special revenue funds and that each special revenue fund's revenues are neither restricted or the total amount of the restricted revenues do not qualify to be a "substantial portion" of the inflows reported in the fund and that enough or all resources that do not qualify to be classified as restricted will be committed, and

WHEREAS, the special revenue fund accountants analyzed the revenues in the current year and the Office of Financial Services prepared and recommended a list of special revenue funds that identify funds that need to commit resources to meet the requirements of GASB Statement 54 (See Exhibit 2), and

WHEREAS, GASB Statement 54 definition of "assigned" fund balance are amounts a government intends to use for a specific purpose but are neither restricted nor committed; intent can be expressed by the government body or by an official or body to which the governing body delegates the authority, and

WHEREAS, GASB Statement 54 states that assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose, and

WHEREAS, the Office of Financial Services recommends that the City Council delegates to the Director of the Office of Financial Services the authority to "assign" amounts in the general fund that are intended to be used for a specific purpose, and

WHEREAS, the GASB Statement 54 requires a government to determine the composition of its ending fund balance by applying its accounting policies regarding whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, and

WHEREAS, the Office of Financial Services recommends that the City's accounting policies shall include that in determining the composition of its ending fund balance, it will consider restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, therefore be it

RESOLVED that the City Council of the City of Saint Paul does hereby approve the above recommendations of the Office of Financial Services to commit fund balances of special revenue funds listed in Exhibit 2, and be it

FURTHER RESOLVED that the City Council delegates its authority the assignment of fund balances in the general fund to the Director of Office of Financial Services, and be it

FINALLY RESOLVED that the City Council will issue an accounting policy that in determining the composition of its ending fund balance will consider restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available.

See attachments for additional detail.