



Fund Balance Policy

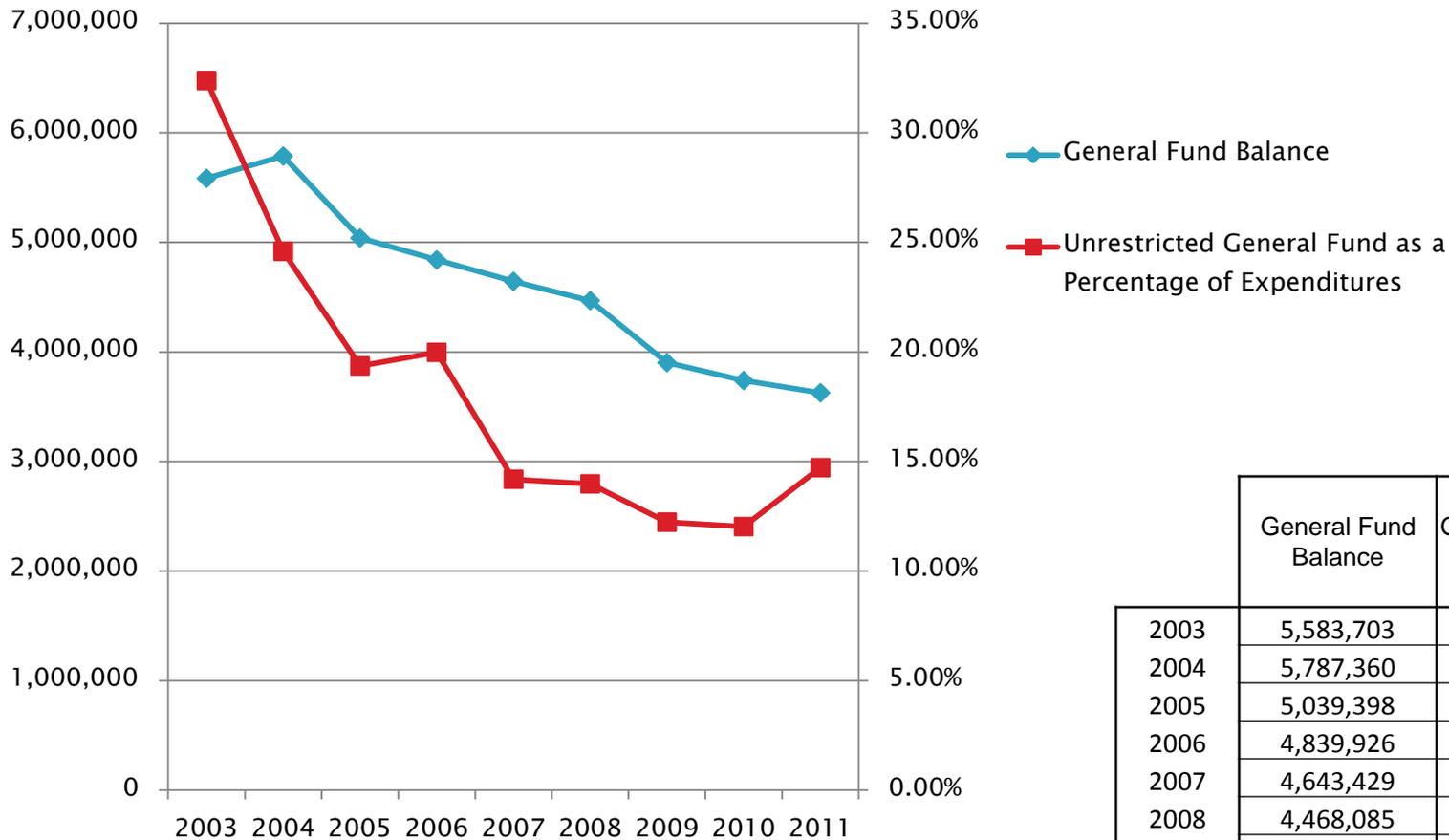
Establishing a policy under
the guidelines of GASB 54

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Objectives:

- Why we need a fund balance policy
 - Overview of GASB 54
 - Explain how this affects governmental fund balance reporting and “order of spending”
 - Recommended fund balance policy
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We need a fund balance policy



	General Fund Balance	Unrestricted General Fund as a Percentage of Expenditures
2003	5,583,703	32.38%
2004	5,787,360	24.59%
2005	5,039,398	19.36%
2006	4,839,926	19.98%
2007	4,643,429	14.19%
2008	4,468,085	13.98%
2009	3,902,087	12.23%
2010	3,738,916	12.03%
2011*	3,626,853	14.72%

* Projected

We need a fund balance policy



- To ensure sufficient cash flow for daily financial requirements
- To guard against economic fluctuations
- To protect against unforeseen expenditures related to emergencies
- To maintain investment grade bond ratings
- To provide a framework to help guide budgetary decisions

Who is the GASB?

Governmental Accounting Standards Board

- Establishes standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities

- For Municipalities, Generally Accepted Accounting Principles (GAAP) are determined by GASB



Who cares about GASB?

- Office of the State Comptroller
- Underwriters of municipal bonds and municipal bond fund managers
- Individual investors in municipal debt (75% of buyers of municipal debt)
- State and local policy makers



Summary of GASB Statement 54

- Statement was approved by GASB in 2009
- Intent is to enhance governmental fund balance reporting in order for financial statements to be more consistent and comparable (between similar governmental entities).

What Prompted this Mandate?

Responds to concerns over lack of adequate disclosure.



Requires more detailed information and accountability on how funds are being spent

Old Fund Balance Reporting

Governmental fund balance category definitions will change...

Old terms:

- Reserves
- Designated
- Undesignated

...are no longer used.



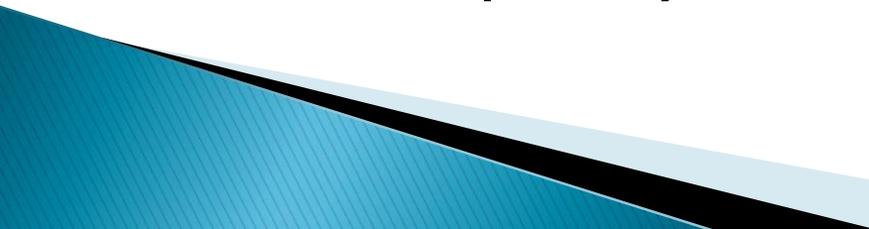
New Fund Balance Reporting

New governmental fund balance category definitions:

- Nonspendable – Not in spendable form such as prepaids and inventory
- Restricted – Constrained to being used for a specific purpose by external parties (state, federal, private donor, creditors)
- Committed – Constrained to being used for a specific purpose by the highest level internal decision making authority
- Assigned – Amounts intended for a specific purpose
- Unassigned – Will only be found in the General Fund



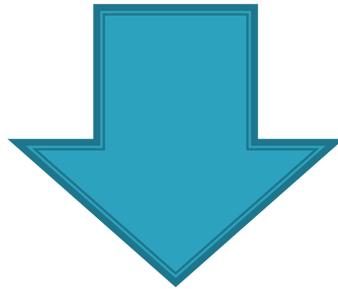
The Layman's Guide to Classifications

- Unassigned – You're single and playing the field
 - Assigned – You're in a dating relationship and being pressured
 - Committed – You're married (for better or worse)
 - Restricted – Court-ordered child support; you don't pay it, an outside party will compel you.
 - Non-spendable – That \$50 that your brother-in-law borrowed three months ago and still has not paid you back
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Order of Spending

GASB 54 sets default order of spending policy if a specific one is not adopted for unrestricted funds:

1. Committed
2. Assigned
3. Unassigned



The proposed Town policy follows GASB guidelines, spending restricted funds first and then following the GASB default order

Minimum Fund Balance

The National GFOA (Government Finance Officers Association) has recommended:

“...at a minimum, that general purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or general fund operating expenditures.”



Recommended Fund Balance Policy

- ▶ The Town will strive to maintain a Contingency Reserve balance in the General Fund, and all Special Revenue Funds, of 15% of budgeted appropriations.
 - Balances in excess of 20% of budgeted appropriations will be transferred to the Capital Reserve Funds
 - Balances falling below 7.5% will require the Comptroller and Town Board to adopt a plan to replenish the Contingency Reserve to the minimum level over a period not to exceed 3 years
 - This designation of contingency reserve funds will be included as assigned fund balance for financial statement purposes

