

MEMORANDUM

TO: Mayor Prussing and Council Members

FROM: City Comptroller

RE: Attached Resolution Providing Certain Financial Information Concerning Fund Balance

DATE: May 14, 2012

The Government Accounting Standards Board (GASB) is responsible for issuing government accounting statements that prescribe how governments should report their financial information in the Comprehensive Annual Financial Report (annual audit report). The city's financial statements must be prepared in accordance with these GASB statements in order to receive a "clean" opinion from the City's auditors. Receiving a "clean opinion" is very important to the readers of the City's financial statements such as bond rating agencies, government oversight agencies, and the citizens of Urbana.

Recently, the GASB indicated that they felt that there was a need for certain structure in defining fund balance in government financial statements. Fund balance measures the net financial resources available to finance expenditures of future periods. It is the amount of assets less liabilities in a fund at a specific given time, usually the end of the fiscal year (June 30 for the City of Urbana).

This GASB54 statement defines 5 levels of fund balance:

- 1) Non-spendable fund balance – includes amounts of assets that not in a spendable form, such as inventory or prepaid items
- 2) Restricted fund balance – amounts constrained for specific purposes by external entities, usually a higher level of authority such as the US or State of Illinois. An example of this type of restriction is the Community Development Block Grant and Home Funds in which amounts are restricted for certain community development programs as prescribed in the Annual Action Plan and federal procedures. Another example is the State Motor Fuel Tax Fund in which amounts are restricted for certain street and infrastructure improvements in accordance with IDOT procedures and rules.
- 3) Committed fund balance – amounts constrained for a specific purpose by the City and designated by the City Council thru this formal resolution (see attached resolution for examples of City committed fund balances).
- 4) Assigned fund balance – General Fund amounts constrained for a specific purpose and so designated by the Mayor. At this time, the City of Urbana does not have any assigned fund balance.
- 5) Unassigned fund balance – All other amounts in the General Fund that are not assigned to one of the 4 previous levels.

This GASB Statement 54 requires approval of the attached resolution providing certain financial information and designation of levels of fund balance. Therefore, I am recommending approval.

RESOLUTION NO. 2012-05-027R

A RESOLUTION ESTABLISHING FUND BALANCE POLICIES
AS REQUIRED BY GASB STATEMENT 54
(2012)

WHEREAS, Fund balance measures the net financial resources available to finance expenditures of future periods, and

WHEREAS, the Government Accounting Standards Board (“GASB”) has adopted Statement 54, a new standard for governmental fund balance reporting, and

WHEREAS, GASB54 requires the City to approve a resolution that provides certain financial information concerning fund balance and requires the City to designate certain fund balances as committed for certain specific purposes, and

WHEREAS, the City of Urbana elects to implement GASB54 and to apply such requirements to it’s Comprehensive Annual Financial Report, therefore

.BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

The City’s unassigned general fund balance will be maintained to provide the City with sufficient working capital.

When it is appropriate for fund balance to be assigned, the City Council hereby delegates authority to the Mayor when the assignment is identified as such in the annual City budget.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance (unless other legal requirements prevail).

Fund balances of the City’s funds may only be committed for a specific purpose by action of the City Council. The following fund balances are committed and so indicated in the annual City budget:

- 1) 100% of the amount in the Vehicle and Equipment Replacement Funds for the replacement of vehicles and major equipment and for the acquisition of additional vehicles.
- 2) 100% of the amount in the Social Service Agency Fund for social service agency allocations.
- 3) 100% of the amounts in the Tax Increment Finance District Funds for economic development per TIF rules and procedures.
- 4) 100% of the amount in the Economic Development Reserve Fund for economic development.
- 5) 100% of the amount in the Insurance Financing Reserve Fund for worker compensation claims.
- 6) 100% of the amount in the Community Development Special Funds for projects and programs to improve and develop the community.

- 7) 100% of the amount in the Public Arts Fund for public arts programs.
- 8) 100% of the amount in the Local Motor Fuel Tax Fund for improvements and construction of city streets and roads.
- 9) 100% of the amount in the Sanitary Sewer Construction Fund for improvements and construction and for capital debt retirement including interest and engineering and legal costs associated with the sanitary sewer system of the City.
- 10) 100% of the amount in the Storm Water Utility Fund for improvements and construction of city storm water sewer systems.
- 11) 100% of the amount in the Capital Improvement and Capital Improvement Supplementary Fund for various infrastructure improvements and construction (may be used for roads, sewers, lighting, signals, sidewalks, buildings and other infrastructure needs).

PASSED by the City Council this ____ day of _____, 2012.

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, 2012

Laurel Lunt Prussing, Mayor