

**MANATEE COUNTY GOVERNMENT**  
**AGENDA MEMORANDUM**

*Defer*

|   |  |  |  |
|---|--|--|--|
| <b>SUBJECT</b>                            | GASB 54 – Financial Reporting Guidelines | <b>TYPE AGENDA ITEM</b>                    | Consent                                      |
| <b>DATE REQUESTED</b>                     | November 8, 2011                         | <b>DATE SUBMITTED/REVISED</b>              | October 31, 2011                             |
| <b>BRIEFINGS? Who?</b>                    | None                                     | <b>CONSEQUENCES IF DEFERRED</b>            |  |
| <b>DEPARTMENT/DIVISION</b>                | Financial Management                     | <b>AUTHORIZED BY TITLE</b>                 | Jim Seuffert, Director<br><i>[Signature]</i> |
| <b>CONTACT PERSON TELEPHONE/EXTENSION</b> | Jim Seuffert x3760                       | <b>PRESENTER/TITLE TELEPHONE/EXTENSION</b> | Jim Seuffert, Director x3760                 |
| <b>ADMINISTRATIVE APPROVAL</b>            |  | <i>[Signature]</i>                         |  |

**ACTION DESIRED**  
INDICATE WHETHER 1) REPORT; 2) DISCUSSION; 3) FORM OF MOTION; OR 4) OTHER ACTION REQUIRED

Move to approve Local Guidelines to be followed in conjunction with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years ending on or after September 30, 2011.

**ENABLING/REGULATING AUTHORITY**  
Federal/State law(s), administrative ruling(s), Manatee County Comp Plan/Land Development Code, ordinances, resolutions, policy

Florida Statutes 125, 129, and 200; and Governmental Accounting Standards referenced in GASB Statement No. 54 (copy attached)

**BACKGROUND/DISCUSSION**

The Governmental Accounting Standards Board (GASB) has established new protocols for delineating year end fund balances in governmental financial statements. In Manatee County, these financial statements are published by the Clerk of the Circuit Court in the Comprehensive Annual Financial Report (CAFR).

The Clerk's finance staff has asked that the County Commission approve guidelines to be followed when reporting fund balance amounts in the financial statements. The guidelines have been structured so that they will satisfy the requirements of GASB 54, but will not affect the way that we implement our budget or restrict flexibility that we already have in determining the actual use of reserves. (PLEASE SEE PAGE TWO)

**COUNTY ATTORNEY REVIEW**

|                                     |  |
|-------------------------------------|--|
| <b>Check appropriate box</b>        |  |
| <input type="checkbox"/>            | <b>REVIEWED</b><br>Written Comments:<br><input type="checkbox"/> Attached<br><input type="checkbox"/> Available from Attorney (Attorney's initials: _____) |
| <input type="checkbox"/>            | <b>NOT REVIEWED (No apparent legal issues.)</b>  |
| <input checked="" type="checkbox"/> | <b>NOT REVIEWED (Utilizes exact form or procedure previously approved by CAO.)</b>   |
|                                     | <b>OTHER</b>   |

|   |                  |  |                  |
|---|------------------|--|------------------|
| <b>ATTACHMENTS: (List in order as attached)</b>   |                  | <b>INSTRUCTIONS TO BOARD RECORDS:</b>                                  |                  |
| 1. GASB 54 – Fund Balance Classification Guidelines (Full Text of GASB 54 is in Read File). |                  |  |                  |
| <b>COST:</b>  | N/A at this time | <b>SOURCE (ACCT # &amp; NAME):</b>                                     | N/A at this time |
| <b>COMMENTS:</b>  |                  | <b>AMT./FREQ. OF RECURRING COSTS: (ATTACH FISCAL IMPACT STATEMENT)</b> | N/A              |

## BACKGROUND/DISCUSSION – PAGE 2

### MANATEE COUNTY, FLORIDA GASB 54 – Financial Reporting Guidelines

- Previously, year end fund balance reporting protocols provided for the use of two classifications when reporting fund balance amounts: reserved fund balance and unreserved fund balance. Although the rationale behind the reserved fund balance designation was fairly straightforward, the portion of the fund balance reported as unreserved often caused confusion because of a “one size fits all” definition which did not adequately describe the limitations and/or legal requirements of fund balance.
- GASB 54 prescribes additional classifications of fund balance which allow policy and legal requirements to be reflected in the breakdown of the reported fund balances. The new classifications are labeled as: **Non-spendable, Restricted, Committed, Assigned, and Unassigned**. Use of these classifications allows a reader of the financial statements to get a better idea of which portions of the reported fund balance may be available for discretionary use and which portions are subject to little or no discretion.
- Since all fund balances for special revenue funds are considered by GASB 54 to be substantially Non-spendable or Restricted, decisions as to whether to use any of the other classifications would likely be limited to the reporting of the fund balance in the General Fund.
- It is important to point out that this concept applies only to the way that the year-end financial information is reported in the CAFR. Currently it would have no effect on how we create or implement our budget. We have a separate Reserve Policy which applies to how we budget money in a future year that we expect to be available from the prior year’s fund balance.

MANATEE COUNTY, FLORIDA  
FUND BALANCE CLASSIFICATION GUIDELINES

**A. DEFINITIONS**

**Fund Balance** - As defined by the *Governmental Accounting, Auditing and Financial Reporting* of the Government Finance Officers Association, fund balance is "The difference between assets and liabilities reported in a governmental fund."

**Non-Spendable Fund Balance** – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and generally items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

**Restricted Fund Balance** – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance** – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of County Commissioners, the County's highest level of decision making authority. Commitments may be changed or lifted only by the Board of County Commissioners taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements are reported in this category only if they are specific and non recurring.

**Assigned Fund Balance** – Includes spendable fund balance amounts established by management of the County that are intended to be used for specific purposes that are neither considered restricted or committed.

**Unassigned Fund Balance** – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**Unrestricted Fund Balance** – The total of *committed fund balance, assigned fund balance, and unassigned fund balance.*

**Reservations of Fund Balance** – Reserves established by Board of County Commissioners (*committed fund balance*) or County management (*assigned fund balance*).

**B. PURPOSE**

The County will report Fund Balance, as defined herein, in accordance with Governmental Accounting and Financial Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Under this guidance, the reporting of fund balances for governmental funds is grouped in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which the amounts in those classifications can be spent. Fund Balance shall be composed of non-spendable, restricted, committed, assigned and unassigned amounts.

Fund Balance Guidelines are adopted in order to secure and maintain investment-grade credit ratings, meet seasonal shortfalls in cash flow, and reduce susceptibility to emergency or unanticipated expenditures and/or revenue shortfalls. Fund balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing ones, or enhance the financial position of the County, in accordance with policies established by the Board of County Commissioners.

These Fund Balance Guidelines establish:

- a) Fund balance guidance for the General and other County governmental funds;
- b) Reservations of fund balance for the General and other County governmental funds;
- c) The method of budgeting the amount of estimated unrestricted fund balance (also know as *estimated beginning fund balance*) available for appropriation during the annual budget adoption process (prior to the actual, audited fund balance being known) and what actions may need to be taken if the actual fund balance is significantly different than the budgeted fund balance; and
- d) The spending order of fund balances.

**C. FUND BALANCE GUIDELINES**

**1. RESTRICTED FUND BALANCE**

Fund balance will be reported in the General Fund for reserves set aside for qualifying prior year constraints. Restricted amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors; or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation will be budgeted and reported as such in special revenue funds, capital project funds or debt service funds.

**2. COMMITTED FUND BALANCE**

Commitment of fund balance for financial statement reporting purposes may be made for such purposes including, but not limited to, a) accumulating resources pursuant to stabilization arrangements that are specific and non-recurring; b) for setting aside amounts for specific non-recurring projects; and/or c) establishing reserves for disasters, including but not limited to hurricanes, tropical storms, tsunamis, flooding, wildfires, terrorist activity and other natural or man-made disasters.

Commitment of fund balance for financial statement reporting purposes may be made from time-to-time by resolution of the Board of County Commissioners. Commitments may be changed or lifted only by the Board of County Commissioners taking the same formal action that imposed the constraint originally (resolution). The use (appropriation) of committed fund balances will be considered in conjunction with the annual budget adoption process approved by resolution of Board of County Commissioners during the fiscal year.

**3. ASSIGNED FUND BALANCE**

Assignment of fund balance for financial statement reporting purposes may be a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or b) used to reflect the appropriation by budget amendment of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Assigned fund balance shall reflect the Board's and/or management's intended use of resources as set forth in the annual budget (and any amendments thereto). Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

4. NON-SPENDABLE FUND BALANCE

Non-spendable fund balance is established to report items that are not expected to be converted to cash such as inventory and prepaid items; items not currently in cash form such as the long-term amount of loans and notes receivable as well as property acquired for resale; and, items legally or contractually required to be maintained intact such as the corpus (or principal) of a permanent fund.

5. MINIMUM LEVEL OF UNASSIGNED FUND BALANCE

Fund balance reported as assigned is the residual classification for the funds and represents spendable fund balance that has not been restricted, committed or assigned to specific purposes within the general fund.

During the annual budget process, committed and/or assigned fund balance reduction, expenditure reductions and/or revenue increases will be identified and presented to the Board of County Commissioners in the "Fund Summary" presentation. The County shall take action as necessary to restore the unassigned fund balance to acceptable levels.

**D. RESERVATIONS OF FUND BALANCE (GENERAL FUND)**

1. COMMITTED FUND BALANCE

Resources accumulated pursuant to stabilization arrangements are reported in this category only if they are specific and non recurring.

2. ASSIGNED FUND BALANCE

The County may establish the following assigned fund balance reserves for financial statement reporting purposes in the General Fund:

- a) Assignment to Subsequent Year's Budget – The subsequent year's budget fund balance reserve can be assigned by County management as set forth in the current year annual budget (and any amendments thereto) to appropriate a portion of existing unassigned fund balance to eliminate a projected deficit in an amount no greater than the projected excess of expected expenditures over expected revenues.
- b) Repair and replacement of major equipment
- c) Reserves for departmental shortfalls, salary adjustments, OPEB contributions, and other rate or premium increases.

- d) Various other reserves or set asides as appropriate to the fund type and determined by management for specific items.

**E. BUDGETING**

1. APPROPRIATION OF UNRESTRICTED FUND BALANCE

The actual amount of unrestricted fund balance (total of *committed fund balance, assigned fund balance and unassigned fund balance*) is not known until the completion of the annual audit which takes place between three to six months after the end of the fiscal year being audited. However, an estimate of unrestricted fund balance (also called *estimated beginning fund balance or cash carryover*) must be made during the annual budget adoption process (July through September) which is prior to the end of the fiscal year, September 30<sup>th</sup>.

2. ESTIMATED BEGINNING FUND BALANCE.

In order to achieve the most accurate estimate possible, the County Administrator or designee shall project both Sources of Funds (revenues, prior years unrestricted fund balances carried forward and other financing sources) and Uses of Funds (operating and non-operating expenditures), including accruals, for each department in each governmental fund through September 30<sup>th</sup> of the then current fiscal year. The difference between the estimated actual sources of funds and estimated actual uses of funds is the calculated estimated beginning fund balance for the subsequent fiscal year.

3. ESTIMATED ENDING FUND BALANCE.

For the year being budgeted, a calculation of estimated ending fund balance shall also be made. This calculation shall be the difference between the budgeted sources of funds and the budgeted uses of funds as described above.

Since the uses of funds are restricted, committed or assigned in all other governmental fund types there is no policy to the amount of ending fund balance unless the project is completed and the fund should be closed. In this situation, a residual equity transfer will be made to zero-out any remaining fund balance.

**F. SPENDING ORDER OF FUND BALANCES**

Generally, the County uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Unless otherwise approved by the BCC, the County would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for

purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. ANNUAL REVIEW AND DETERMINATION OF FUND BALANCE GUIDELINES**

Consistency with the provisions of these guidelines shall be reviewed as a part of the annual budget adoption process. Actual final classification of restricted, committed, assigned, non-spendable and unassigned fund balances shall be determined during the annual fiscal year end process for presentation in the County's Comprehensive Annual Financial Report (CAFR).

**H. ADDITIONAL INFORMATION, REQUIREMENTS/RESPONSIBILITIES**

It will be the responsibility of the County Administrator or his designee to keep these guidelines current.

**I. EFFECTIVE DATE**

These guidelines shall take effect immediately upon approval and will be applied beginning with the preparation of the County's September 30, 2011 Comprehensive Annual Financial Report.