



Legislation Details (With Text)

File #: 18-847 **Version:** 1 **Name:**
Type: Action Item **Status:** Agenda Ready
File created: 4/20/2018 **In control:** Town Council Meeting
On agenda: 5/7/2018 **Final action:**
Title: Revision to General Fund Balance Policy

Sponsors:

Indexes:

Code sections:

Attachments: 1. GASB 54 Fund Balance Policy Revised 5-7-18, 2. GASB 54 Fund Balance History

Date	Ver.	Action By	Action	Result
5/7/2018	1	Town Council Meeting	approved	Pass

Subject:

Revision to General Fund Balance Policy

EXPLANATION AND SUMMARY :

Local governments were required by the Government Accounting Standards Board (GASB) to implement changes to their fund balance policies effective Fiscal Year 2011-12, ending June 30, 2012.

The main feature of the policy required local governments to classify General Fund-identified fund balances in accordance with spending constraints placed on the purposes of the fund balance. It formally renamed "Unreserved Fund Balance" to "Unassigned Fund Balance" and required a locality to set a target Unassigned Fund Balance as a percent of the next year's budgeted expenditures.

The Town created a policy in FY 2011-12, renamed and reclassified its General Fund balances to conform to the new terminology, and set the minimum level of Unassigned Fund Balance to 10% of next year's budgeted expenditures. This was a conservative measure to ensure that the target picked was achievable.

In ensuing years, the Town has recognized that the 10% target is too low. The Town has achieved an Unreserved Fund Balance of 18.5%-21.6% every year since FY 2011-12. Furthermore, the Government Finance Officers' Association's (GFOA) best practices suggest that good governments have two months of expenditures in Unassigned Fund Balance. This translates to 16.7%.

Given that the Town has maintained an Unassigned Fund Balance over 15% for the past six years and recognizing that we wish to come closer to GFOA's best practice standard, the Finance Department recommends revising the policy to set the target Unassigned Fund Balance percent of next year's expenditures to 15%. This is a target we expect to exceed. If there is a year in which the Town's Unassigned Fund Balance falls below that target, the policy requires that the Finance Director

submit a compliance plan to correct the situation by the next fiscal year to Council at conclusion of the audit. We consider the possibility of the Unassigned Fund Balance falling below the 15% target a remote one. Therefore, we recommend adoption of a 15% target for Unassigned General Fund Balance.

Departmental Recommendation : Recommend Council approve the revised fund balance policy setting a target for the Unassigned Fund Balance at 15% of the subsequent year's budgeted expenditures.

Finance Recommendation : Recommend Council approve the revised fund balance policy setting a target Unassigned Fund Balance at 15% of the subsequent year's budgeted expenditures.

Purchasing Recommendation : N/A

Town Attorney Recommendation : Town Council may approve the proposed General Fund Balance policy in its discretion.

Town Manager's Recommendation : I recommend the Town Council amend the General Fund Balance policy of 15% as presented.

Cost and Financing: \$0

Account Number: N/A

Decision Needed by This date: May 7, 2018

PROPOSED/SUGGESTED MOTION

"I move to amend the General Fund Balance policy, increasing the Unassigned Fund Balance to 15% of the subsequent budgeted year's expenditures."

Or

Other action deemed necessary by Council.