



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** October 16, 2012

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** Implementation Of Governmental Accounting Standards Board Statement No. 54

### RECOMMENDATION:

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Defining the New Components of Fund Balance in Accordance With Governmental Accounting Standards Board Statement No. 54.

### DISCUSSION:

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to address issues related to how fund balance was being reported in governmental financial statements. The intent of the Statement is to bring greater transparency and consistency to fund balance reporting in the governmental sector.

This new standard does not change the total amount of fund balance, but it modifies the categories and terminology used to describe its components. In the past, fund balances were classified into three separate components: Reserved, Designated, and Undesignated. The new categories and terminology reflect an approach that focuses, not on financial resources available for appropriation within a fund, but on the extent to which the City is bound to honor constraints on the use of the funds.

GASB Statement No. 54 defines five new components of fund balance that replace the previous three components. The five new components are:

1. Nonspendable Fund Balance – This component of fund balance includes amounts that cannot be spent because they are either: (a) not in a spendable form, such as prepaid items, inventories of supplies, or loans receivable; or (b) legally or contractually required to be maintained intact, such as the principal portion of an endowment. This category was traditionally reported as a “reserved” fund balance under the previous accounting statement.

2. Restricted Fund Balance – This component of fund balance includes amounts that are constrained as to their use by either: (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. This category was traditionally reported as a “reserved” fund balance under previous accounting standards.
3. Committed Fund Balance – This component of fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council of the City of Santa Barbara. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the City Council of the City of Santa Barbara. This category was traditionally reported as a “designated” fund balance under previous accounting standards.
4. Assigned Fund Balance – This component of fund balance includes amounts that are constrained by the government’s intent that the fund balance be used for specific purposes, but are neither restricted nor committed as defined above. The Finance Director is authorized to assign amounts to a specific purpose. This category was traditionally reported as a “designated” fund balance under previous accounting standards. An example of an assigned fund balance is the amounts previously classified as “designations” of fund balance for discretionary appropriation carryovers authorized by the City Administrator.
5. Unassigned Fund Balance – This component of fund balance includes residual amounts that have not been restricted, committed or assigned to specific purposes. This category was traditionally reported as an “undesignated” fund balance under previous accounting standards.

**BUDGETARY/FISCAL IMPACT:**

There are no fiscal impacts as a result of implementing GASB 54. The amounts reported as the total fund balance in any given fund are not altered. Only the reporting of the individual components that make up total fund balance is changed.

**PREPARED BY:** Ruby Carrillo, Accounting Manager

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office