

**Memphis City Council**  
**Summary Sheet**  
**FY2012**

- This resolution adopts Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes a fund balance policy and grants authority for assignment of fund balance in accordance with the Statement requirements.
- Initiating Party: Finance Division.
- This resolution does not require a new contract or modification to an existing contract.
- No expenditure of funds is required under this resolution.

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**RESOLUTION**

**Establishing Fund Balance Policies as required by GASB 54**

**WHEREAS**, the Governmental Accounting Standards Board ("GASB") has adopted Statement 54 ("GASB 54"), a new standard for governmental fund balance reporting and governmental fund type definitions that became effective in governmental fiscal years starting after June 15, 2010, and

**WHEREAS**, the City of Memphis ("the City") elects to implement GASB 54 requirements, and to apply such requirements to its financial statements beginning with the most recently completed fiscal year (July 1, 2010 to June 30, 2011); and

**NOW THEREFORE BE IT RESOLVED THAT** the City of Memphis hereby adopts the following policy:

**FUND BALANCE POLICY**

Fund balance measures the net financial resources available to finance expenditures of future periods.

The City's Unassigned General Fund Balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the City Council.

Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action of the City Council.

When it is appropriate for fund balance to be assigned, the City Council delegates authority to the Director of Finance upon approval of the Mayor.

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.

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**BE IT FURTHER RESOLVED** that the City's goal is to have a sufficient balance in the operating fund with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The City shall strive to maintain a yearly fund balance in the general operating fund in which the unassigned fund balance is ten (10) percent of the total operating expenditures.

The above Resolution is adopted this 6th day of September, 2011.

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Myron Lowery, Chairman  
Memphis City Council

ATTEST:

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Comptroller

# GASB 54 Implementation

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## Background Information

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- Statement 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” released by the Governmental Accounting Standards Board (GASB).
  - Intended to improve the usefulness of the amount reported in fund balance by providing structured classification.
  - Effective for fiscal year ending June 30, 2011.
  - Applies to General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds.
  - Does not apply to Enterprise Funds, Internal Service Funds, Fiduciary Funds or Agency Funds.

## Current fund balance classifications

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- Currently fund balance is classified as "reserved" or "unreserved."
- Unreserved fund balance may be further allocated into designated and undesignated.
- General Fund June 30, 2010 audited Fund Balance:

# New GASB 54 classifications

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GASB 54 will change how fund balance is reported. The hierarchy of five possible GASB 54 classifications is as follows:

- Non-spendable Fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to remain intact.
- Restricted Fund balance includes amounts constrained for a specific purpose by external parties, constitutional provision, or enabling legislation. (e.g. State and Federal Grant Funds). Effectively, restrictions may only be changed or lifted with the consent of the resource provider.
- Committed Fund balance includes amounts formally constrained for a specific purpose by a government using its highest level of decision making authority (e.g. City Council). The commitment of these funds can only be changed by the government taking the same formal action that imposed the constraint originally.
- Assigned Fund balance includes amounts a government intends to use for a particular purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority (e.g. Finance Director).
- Unassigned Fund balance represents general fund amounts not classified elsewhere.

## Other Requirements

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Governments are required to disclose more information in the notes to financial statements about amounts reported in fund balance as follows:

- Description of authority and actions that lead to committed or assigned fund balance.
- Government's policy regarding order in which restricted, committed, assigned, and unassigned amounts are spent (contained in attached resolution).
- Description of formally adopted minimum fund balance policies (contained in attached resolution).
- The purpose of each major special revenue fund.
- Encumbrances, if significant.