



## Legislation Text

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110992

ORIGINAL

### THE CHAIR

Resolution approving a financial reporting policy related to the City's financial reserves composition in compliance with the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

This resolution approves the City's fund balance reporting policy related to the classification and utilization of fund balance. *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) abandons the reserved, unreserved, and designated classifications of fund balance and replaced them with five classifications: nonspendable, restricted, committed, assigned, and unassigned. The five classifications serve to inform readers of the financial statements of the extent to which the City is bound to honor constraints on the specific purposes for which resources in a fund can be expended.

Whereas, Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) requires that fund balance classifications indicate the level of constraints placed upon how resources can be spent and identify the sources of those constraints. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount; and

Whereas, Fund balance reported as "nonspendable" represents fund balance that is not in a spendable form such as prepaid items, inventory, or legally or contractually required to be maintained intact such as an endowment; and

Whereas, Fund balance reported as "restricted" consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources; and

Whereas, Fund balance reported as "committed" are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined by a formal action of the highest level of decision-making authority, and requires the same level of formal action to remove the constraint; and

Whereas, Fund balance reported as "assigned" consists of amounts that are subject to a purpose constraint that represents an intended use but formal action of the Common Council is *not* necessary to impose, remove, or modify a constraint in assigned fund balance; and

Whereas, The requirements of GASB 54 are effective for the City of Milwaukee's financial statements for years ending on and after December 31, 2011; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee that in accordance with GASB 54, it is the policy of the City of Milwaukee that fund balance amounts will be reported as "committed fund balance" only after formal action and approval by Common Council. The action to constrain amounts in such a manner must occur prior to year end; however, the actual dollar amount may be determined in the subsequent year; and, be it

Further Resolved, The amount reported as "committed fund balance" cannot be removed from the committed fund balance category unless approval by the Common Council; and, be it

Further Resolved, It is the policy of the City that the City Comptroller will have the authority to assign funds that are intended to be used for a specific purpose but have not received formal approval by the Common Council. The City Comptroller will record funds as "assigned fund balance" based on intentions for use of the funds; and, be it

Further Resolved, The City Comptroller can redeploying assigned resources to an alternative fund balance category based on intended use of the funds; and, be it

Further Resolved, When an expenditure is incurred for purposes for which restricted, committed, assigned, or unassigned amounts are available, it shall be the policy of City to consider restricted amounts to have been reduced first followed by committed, assigned, and then unassigned fund balance unless the order of fund balance usage is dictated by legal, borrowing, or other requirements.

Office of the Comptroller

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11/16/11