

STAFF REPORT
Lancaster Redevelopment Agency

RCC 1
06/28/11
MVB

Date: June 28, 2011

To: Chairman Parris and Agency Directors

From: Barbara Boswell, Finance Director

Subject: **Adopt a Resolution approving the Fund Balance Policy for the Lancaster Redevelopment Agency**

Recommendation:

Adopt **Resolution No. 10-11**, approving and adopting a Fund Balance Policy and authorizing the City Manager and/or Finance Director to assign fund balance to a specific purpose in relation to this Fund Balance Policy.

Fiscal Impact:

None

Background:

The Governmental Accounting Standards Board (GASB), the rulemaking body for governmental accounting, has now issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to address issues related to how fund balance was being reported. The GASB's research revealed that the existing standards guiding fund balance reporting were being interpreted inconsistently by different governments. It also became clear that the understandability of fund balance information was affected and that financial statement users were unable to readily interpret reported fund balance information.

Effective for reporting periods after June 15, 2010, GASB Statement No. 54 creates five new classifications of fund balance. Each classification depicts the relative strength of the spending constraint for which the resources can be used. From most to least constrained, the new classifications of fund balance are:

- **Nonspendable fund balance** – These are amounts that will never convert to cash (such as prepaid items), amounts that will not convert to cash soon enough to affect the current period (such as assets held for resale), and amounts that are required to be maintained intact (such as the corpus of an endowment fund).
- **Restricted fund balance** – These resources can be used only for those purposes that are specified by their providers, such as grantors, bondholders, or higher levels of government. It is important to note that these resources are constrained by external parties.
- **Committed fund balance** – Constraints upon the resources in this classification are set in place internally by the governing body itself. Commitments are made by formal action of City Council and can be lifted or changed only by the same action.

- **Assigned fund balance** – This classification includes funds that are intended for a specific purpose. Not as binding as a commitment, intent can be expressed by City Council or by the official(s) to whom Council delegates the authority.
- **Unassigned fund balance** – Available for any purpose, these resources includes all amounts not included in other classifications.

Agency Directors must adopt a fund balance policy that is compliant with GASB 54. Through this resolution, Agency Directors authorize the City Manager and/or the Finance Director to assign fund balance showing the Redevelopment Agency's intent to use funds for a certain purpose. Additionally, Agency Directors can assign fund balance through its direction to staff.

BB:ps

Attachments:

Resolution No. 10-11

Exhibit A – Fund Balance Policy