COUNTY AGENDA REQUEST

Department:	Finance	Presenter(s):	Toni Jo Howard
Meeting Date:	Wednesday, August 3, 2011	Type of Request:	New Business

Wording for the Agenda:

Discussion of proposed amendments to the County's Reserve Fund Policy

Background/History/Details:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, with which Fayette County must comply. This statement requires changes in references and terminology related to the maintenance of the County's reserve fund.

The County's Policies and Procedures Manual contains a series of policies related to the County's financial operation. Policy number 300.07, known as the Reserve Fund Policy, needs to be updated in order to comply with the new requirements of GASB.

What action are you seeking from the Board of Commissioners?

Approval to place the proposed amendment to Policy No. 300.07 (Reserve Fund Policy) on the August 11th County Commission meeting agenda for action.

If this item requires funding, please describe:

N/A

Has this request been considered within the past two years?	No	If so, when?	
Is Audio-Visual Equipment Required for this Request?	No	Backup Provided with Request?	Yes

STAFF USE ONLY

Approved by Finance	Yes	Reviewed by Legal	Yes
Approved by Purchasing	Not Applicable	County Clerk's Approval	Yes
Administrator's Approval	Yes		

Staff Notes:

Fayette County GEORGIA

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To: Commissioners

From: Toni Jo Howard

Date: 7/20/11

Subject: GASBS 54

GASBS 54 is required to be implemented for the reporting of FY 2011. This statement replaces current fund balance terminology. Rather than reserved, unreserved-designated, and unreserved-undesignated there will be nonspendable, restricted, committed, assigned and unassigned. Each of these classifications and what is included is governed by the statement. The attached reserve fund policy has been updated to reflect the changes in terminology and the action needed to release reserves as required by the statement. The changes to the policy are highlighted in red. Additionally, the policy has been updated to include current practice of requiring fire, EMS, and E911 to maintain working capital.

To illustrate the effect of this change, below is the fund balance for the general fund as included in the CAFR for FY 2010 and how it would have looked under the new requirements:

Current:

Reserved for encumbrances	$113,300
Reserved for inventories	110,549
Reserved for prepaid assets	94,645
Unreserved:	
Designated for emergencies	2,000,000
Designated for working capital	11,252,251
Designated for future expenditures	87,300
Designated for capital improvements	13,667,140
Undesignated	7,448,518

GASBS 54:

Nonspendable	$205,194
Committed:	
Encumbrances	113,300
Emergencies	2,000,000
Stabilization Funds	11,252,251
Assigned:	
Capital	87,300
Construction in Progress	13,667,140
Unassigned	7,448,518

The nonspendable fund balance classification refers to amounts that cannot be spent because they are not in spendable form, such as prepaids and inventories. The restricted classification refers to amounts that are restricted through law (thus they would only be used for E911 and SPLOST funds in the County). Committed includes amounts that set aside by the BOC. The assigned classification contains those amounts that are set aside through the budgeting process. This would include the capital, CIP amounts, as well as usage of funds to balance the next year budget. The unassigned contains all amounts not otherwise classified in the general fund.

Some other key points of this statement are:

- E911 and SPLOST fund balances will be shown as restricted.
- General fund is the only fund that will have an unassigned fund balance.
- The remaining fund balance of the governmental funds after nonspendable, restricted, and committed will be shown as assigned.

The updated reserve funds policy needs to be adopted before the completion of the final budget entry at the end of September to ensure that the board has established the necessary parameters for the classifications as required by the statements. Please let me know if you have any questions.

cc: Mary S. Holland

FISCAL POLICIES
Reserve Funds-Updated
300.07

PURPOSE

The county will maintain a sufficient working capital reserve in the general, fire, EMS, and E911 funds to help offset economic downturns, provide sufficient working capital and provide for sufficient cash flow for current financial needs. In addition, the county will maintain an emergency fund reserve in the general fund.

POLICY

There shall be a consistent and uniform process for maintaining working capital and emergency fund reserves for Fayette County.

PROCEDURE

The County will maintain a working reserve equal to at least three months of the fund appropriations budget for the general, fire, EMS, and E911 funds. This amount will be maintained as stabilization funds in the committed fund classification, except for E911 which will be maintained within the restricted fund classification. These reserves shall be created and maintained to provide the capacity to:

1. Offset significant economic downturn and the revision of any general government activity;
2. Provide sufficient working capital; and
3. Provide a sufficient cash flow for current financial needs at all times without short-term borrowing.

To be able to use funds that are committed for stabilization, the Board of Commissioners must take formal action to release funds. This type of action will only be taken when failure to take such action would result in a negative position for the unassigned fund balance.

In addition to the working capital reserves, the County will also maintain a $2 million emergency funding in the assigned fund classification. The emergency funding will only be used for a declared state of natural disaster. The funds will not be released without formal action of the Board of Commissioners.

The county will also maintain reserves in compliance with all debt service requirements to maintain bond ratings and the marketability of bonds. The county will develop capital reserves to provide for normal replacement of existing capital plant and additional capital improvements financed on a pay-as-you-go basis.