

ORDINANCE NO. 2011- 23

AN ORDINANCE ADOPTING A POLICY FOR REPORTING FUND BALANCES IN GOVERNMENTAL FUNDS AS REQUIRED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD (“GASB”) STATEMENT 54 EFFECTIVE FOR THE FISCAL YEAR ENDING JUNE 30, 2011.

WHEREAS, the Governmental Accounting Standards Board (“GASB”) released Statement 54-“Fund Balance Reporting and Governmental Fund Type Definitions” to become effective for the fiscal year ending June 30, 2011; and

WHEREAS, GASB Statement 54 requires adoption of a policy for reporting fund balances in governmental funds excluding enterprise and internal service funds by the highest level of legal authority (City Council); and

WHEREAS, the City of Maryville (the “City”), as required by the state and federal governments to ensure fiscal and operational accountability of local governments, maintains authoritative accounting and financial reporting standards in accordance with Generally Accepted Accounting Principles (“GAAP”) as established by GASB; and


WHEREAS, it is the intention of the City to adopt a Policy for Reporting Fund Balances in Governmental Funds to ensure compliance with GASB 54.

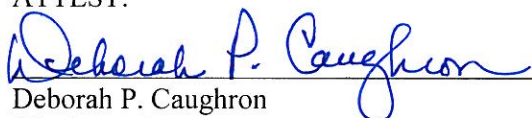
NOW, THEREFORE, BE IT ORDAINED by the City Council of Maryville, Tennessee, as follows:

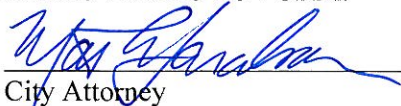
1. Currently, fund balance is classified for reporting purposes as “reserved” or “unreserved”. Unreserved fund balance may be further allocated into “designated” or “undesignated”. GASB 54 establishes the hierarchy of five classifications of fund balance reporting for governmental funds as described below:
 - a. *Non-Spendable Fund Balance* consists of funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.
 - b. *Restricted Fund Balance* consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
 - c. *Committed Fund Balance* consists of funds that are set aside for a specific purpose by the highest level of decision making authority (City Council). Formal action must be taken prior to end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
 - d. *Assigned Fund Balance* consists of funds that are set aside with the intent to be used for a specific purpose by the highest level of decision making authority (City Council). Assigned funds cannot cause a deficit in unassigned fund balance.
 - e. *Unassigned Fund Balance* consists of excess funds that have not been classified in the previous four categories. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.
2. Establish a spending prioritization policy in which the order of use of unrestricted resources when any of these amounts are available for expenditure as committed amounts that should be reduced first, followed by the assigned amounts, and then the unassigned amounts, if applicable.

3. A minimal percentage of unassigned fund balance in the general fund may be budgeted to balance the operating budget in any given year. A budgeted use of unassigned fund balance that results in a weakened cash position for the City should be avoided.
4. All assignments of fund balance require action of City Council.
5. Beginning fund balances in the year of implementation are classified as shown below:
 - a. General Fund- Unassigned Fund Balance
 - b. General Purpose School Fund- Designated Fund Balance as Assigned Fund Balance; Undesignated Fund Balance as Restricted Fund Balance
 - c. All Other Special Revenues, Capital Project and Debt Service Funds- Restricted Fund Balance
6. That the provisions of this Ordinance take effect immediately upon passage, the public welfare requiring it.

Adopted this the 23rd day of June, 2011.


~~Thomas W. Taylor~~ Joe A. SWANN
 Acting Mayor

ATTEST:

 Deborah P. Caughron
 City Recorder

APPROVED AS TO FORM:

 City Attorney

PASSED ON 1ST READING 6/7, 2011


 CITY RECORDER

PASSED ON 2ND READING 6/23, 2011


 CITY RECORDER