



Office of the City Manager
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Memo

To: Members of Dublin City Council
From: Dana L. McDaniel, City Manager 
Date: May 19, 2016
Initiated By: Angel L. Mumma, Director of Finance
Jerry O'Brien, Chief Accountant
Re: Ordinance No. 23-16 – Changing the Fund Type Classification of Certain Funds According to Guidance Issued by the Governmental Accounting Standards Board and the State of Ohio Auditor's Office

Summary

The Governmental Accounting Standards Board (the "GASB") is an independent nonprofit organization, established by an agreement of the nationwide Financial Accounting Foundation and various other national associations of state and local government officials. The GASB is recognized by governments, the accounting industry, and capital markets as the official source of generally accepted accounting principles for state and local governments in the United States, including the City of Dublin (the "City").

In 2011, the GASB issued Statement Number 54: Fund Balance Reporting and Governmental Fund Type Definitions ("Statement No. 54"). Guidance therein significantly affected how individual funds are displayed and how fund balances of the individual funds are categorized in the City's Comprehensive Annual Financial Report ("CAFR"). It also provided guidance on the classification of funds into the various fund types (i.e. General, Special Revenue, Internal Service, Enterprise, and Fiduciary).

At the time GASB Statement No. 54 was implemented, an analysis of the City's funds was performed to determine the classification of funds into the proper fund types and to determine the proper classifications for the reporting of fund balances. However, upon reconsideration of the classification of certain funds into the fund types, staff has determined that three funds would be more appropriately reported in other fund types from those in which they are currently being reported. The funds that staff is proposing to change are the Accrued Leave Reserve Fund, the Cemetery Perpetual Care Fund, and the Unclaimed Monies Fund.

Accrued Leave Reserve Fund

The Accrued Leave Reserve Fund is funded solely by charges to other funds, primarily the General Fund, for the purpose of paying out an employee's accrued leave when they separate from service from the City. These charges have been reported in the past as revenue (charges for services) in the Accrued Leave Reserve Fund and as expenditures in the funds in which payroll expenditures are charged. According to GASB Statement No. 54, when charges for services are reported as committed resources, they can be reported in a special revenue fund as was done with the Accrued Leave Reserve Fund.

However, since the fund is used merely to accumulate resources to make future severance payments, there is not an actual service provided by the fund. Therefore, the inflows into the fund are more properly classified as transfers in. According to the GASB and the Auditor of State of Ohio, transfers in cannot be used as a foundation revenue to classify a fund as a special revenue fund. Therefore, the proper treatment is to report the Accrued Leave Reserve Fund as committed resources within the General Fund.

Cemetery Perpetual Care Fund

The Cemetery Perpetual Care Fund is a fund established to set aside funds so that when all the City's cemetery burial lots are sold, there are funds remaining to properly maintain all cemetery lots in perpetuity. The Cemetery Perpetual Care Fund was established under Ohio Revised Code Sections 759.12 and 759.15. These Sections stipulate that monies received into the fund shall be held in perpetuity and only the interest earned on such money shall be expended for care of the cemetery. This fund has been reported as a special revenue fund based on the commitment of the charges for services to a specific purpose. However, according to the GASB, a permanent fund "should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry." Therefore, the Cemetery Perpetual Care Fund should be reported as a permanent fund.

Unclaimed Monies Fund

Ohio Revised Code Section 9.39 stipulates that if a government is in possession of money that has not been paid out according to law and the rightful owner cannot be located, the money is to be paid into a trust fund and held until claimed by the rightful owner. If the money is not claimed within five years, the money shall revert to the General Fund.

In the past, the Unclaimed Monies Fund has been reported as an agency fund. According to the GASB, an agency fund is intended to "report resources held by the reporting government in a purely custodial capacity" (the receipt, temporary investment, and remittance of fiduciary resources). The purpose of agency funds is to hold money for outside parties and is not intended to benefit the government.

However, any money in the Unclaimed Monies Fund not claimed within the five-year limit becomes general resources of the government rather than remitted to an outside party. Therefore, a fund used for unclaimed monies should be reported within the General Fund.

Recommendation

Staff recommends that Ordinance 23-16 be adopted at the second reading/public hearing on June 13, 2016.

RECORD OF ORDINANCES

Ordinance No. 23-16

Passed _____, 20____

AN ORDINANCE CHANGING THE FUND TYPE CLASSIFICATIONS OF CERTAIN FUNDS ACCORDING TO GUIDANCE ISSUED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD AND THE STATE OF OHIO AUDITOR'S OFFICE

WHEREAS, the Governmental Accounting Standards Board (the "GASB ") promulgates generally-accepted accounting principles applicable to all governmental entities subject to its authority in the United States of America, including the City of Dublin (the "City"); and

WHEREAS, the GASB has issued Statement Number 54, Fund Balance Reporting and Governmental Fund-Type Definitions ("Statement No. 54"), which provides definitions of fund types for financial reporting purposes; and

WHEREAS, the Office of the Auditor of the State of Ohio issued Bulletin 2011-004, which provides guidance for classifying funds into the proper fund types based on GASB Statement No. 54 and Ohio Revised Code; and

WHEREAS, the City must comply with all the provisions of GASB Statement No. 54 so that the City may retain its eligibility to receive an unqualified Independent Auditors' Opinion on its financial statements: and

WHEREAS, the City should adopt these changes to ensure the City is presenting its financial statements fairly according to generally accepted accounting principles as determined by GASB.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Dublin, State of Ohio, _____ of the elected members concurring that:

Section 1. The accrued Leave Reserve Fund shall be reported with the General Fund rather than as a special revenue fund. GASB states that "Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund." Transfers in cannot be the foundation for establishing a special revenue fund. Since the Accrued Leave Reserve Fund is funded solely by transfers from other funds, it shall reported with the General Fund.

Section 2. The Unclaimed Monies Fund shall be reported as part of the General Fund rather than as an agency fund. According to the Governmental Accounting Standards Board, an agency fund is intended to "report resources held by the reporting government in a purely custodial capacity" (the receipt, temporary investment, and remittance of fiduciary resources). This intent is inconsistent with the intent of the Unclaimed Monies Fund. Ohio Revised Code Section 9.39 stipulates that if money held in the Unclaimed Monies Fund is not claimed by its lawful owner within five years, the money shall revert to the General Fund. Thus, any money not claimed within the five year limit becomes general resources of the government rather than remitted to an outside party.

Section 3. The Cemetery Perpetual Care Fund shall be reported as a permanent fund rather than as a special revenue fund. According to the Governmental Accounting Standards Board, a permanent fund "should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry." The Cemetery Perpetual Care Fund was established under Ohio Revised Code Sections 759.12 and 759.15. These Sections stipulate that the monies received into the fund shall be held in perpetuity and only the interest earned on

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such money shall be expended for care of the cemetery. Therefore, the Cemetery Perpetual Care Fund shall be more properly classified as a permanent fund.

Section 4. This ordinance shall take effect and be in force in accordance with Section 4.04(b) of the Revised Charter.

Passed this _____ day of _____, 2016

Mayor – Presiding Officer

ATTEST:

Clerk of Council