



KENAI PENINSULA BOROUGH

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MIKE NAVARRE
BOROUGH MAYOR

MEMORANDUM

TO: Kelly Cooper, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Borough Mayor *MN*

FROM: Craig Chapman, Finance Director *CChapman*

DATE: March 23, 2017

SUBJECT: Resolution 2017-031 Approving the Updated Kenai Peninsula Borough Fund Balance Policy (Mayor)

In April 2001, the borough assembly approved Resolution 2001-045, Establishment of an Unreserved Fund Balance Policy. The purpose of the policy was to establish acceptable ranges of unreserved fund balance for the borough's General Fund and Special Revenue Funds. In 2009, to clarify fund balance classifications for financial statements, the Governmental Accounting Standards Board ("GASB") issued GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. One of the major changes was the elimination of the reserved and unreserved fund balance classifications and the establishment of five new classifications; nonspendable, restricted, committed, assigned and unassigned.

While some of the GASB 54 classifications are similar in nature to the classification under pre-GASB 54, the focus is different. Pre-GASB 54 focused on whether resources were available for appropriation by governments. The unreserved portion of fund balance did not have any external legal restrictions or constraints. Post-GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting purposes, to the "extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."

The borough implemented the changes required by GASB 54 as part of the Comprehensive Annual Financial Report (CAFR) for fiscal year ending June 30, 2011 and formally authorized the establishment of fund balance classifications through Resolution 2011-067.

The attached resolution would update the borough's fund balance policy to conform more closely to GASB 54. In addition, minor changes to the previous policy include a new assignment category for bond rating and debt service, minor changes to some of the range percentages and changing the requirement from five years to three years to achieve compliance with the established range.