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GASB 54: How Will It Change Fund Balance Reporting?

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Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB 54) is a new rule intended to make fund accounting in general, and fund balance reporting in specific, more consistent and transparent by assigning strict rules for the classification of governmental fund balances based on “specific purposes for which amounts in those funds can be spent.” The new classifications, in order of most to least restrictive, are:

- Non-spendable--balances that cannot be spent because they are either illiquid or legally or contractually required to be maintained intact;
- Restricted--constraints placed on these resources that were either externally imposed or mandated by law;
- Committed--funds that can only be used for certain purposes as per a formal action by that government's highest level of decision-making authority;
- Assigned--funds that are constrained by the government's intent of use for a certain purpose, but are neither restricted nor committed; and
- Unassigned--the residual classification for the general fund.

Standard & Poor's Ratings Services supports efforts to improve transparency and disclosure. We note, however, that the financial condition of a rated issuer has always been, and remains, one of the key factors in our rating analysis regardless of the type of financial reporting.

Frequently Asked Questions

How will this new rule affect Standard & Poor's view of the creditworthiness of rated U.S. public finance issuers?

We will soon be updating the language in our credit analyses, and our opinion of the relative strengths of the respective issuer's reserve levels, to incorporate these new classifications. Over time, we will have sufficient data to also update various statistical summary credit comments to include GASB 54. However, at this time, we do not believe the recharacterization of fund balance labels will, by themselves, materially affect credit. There still remain some parts of the country that do not even use GASB-format financial statement reporting, such as those who use cash-based accounting.



determining whether or not such funds are also included as available. GASB, however, has indicated a true rainy day fund might be classified as any of these, or even as unassigned, depending on the level of oversight and approval of use required by the governing body. GASB expects issuers to display further disclosure on rainy day funds in the notes to the financial statements.

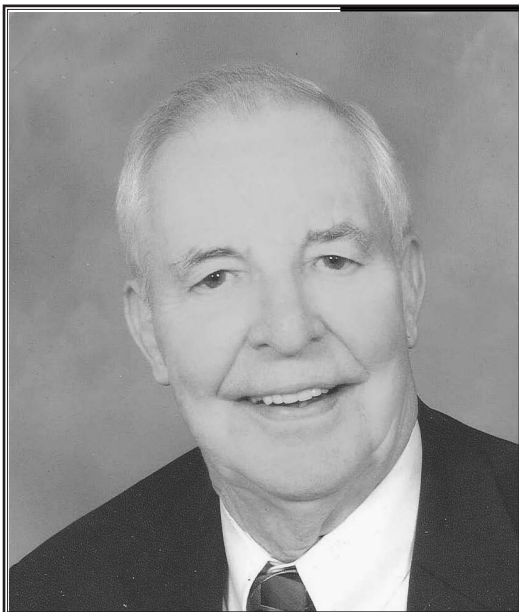
What is the unassigned fund balance?

The unassigned fund balance is simply a calculation: as the excess of total fund balance less the other four categories. It will be a positive balance in the general fund, but could be negative in any other governmental fund. We continue to consider in our analysis whether revenues and reserves in other funds are material to the credit rating. For example, sometimes revenues in other funds may support general governmental operations or even debt service, and reserves in those funds may be available for emergencies or contingencies or even for future general appropriations.

Doesn't GASB 54 therefore imply that having larger percentages or amounts of unrestricted cash or highly liquid cash equivalents with no identifiable constraints, and the reserves clearly available for any lawful purpose, would be a credit strength?

We recognize that any audited financial statements represent a snapshot in time. Key revenue streams for a particular issuer can vary from state to state, by governmental entity or issuer type, and even by time of year. For this reason, our analysis typically includes an evaluation of cash flows and requirements, to determine if there are particular periods of stress, and if so, to what degree (if any) we believe they are a credit concern. Most issuers have significant working capital requirements throughout their fiscal year, while some do not. Some may experience little or no distress during times of peak liquidity needs, while for others the distress may be significant. Additionally, we do not require that a rated issuer attain certain financial or other metrics simply to attain a particular rating level.

Duane N. Scott Former Director (1967-1992) of OMAC Passes



Duane N. Scott, 81, passed away March 2, 2011. Mr. Scott was raised in Cuyahoga Falls and resided in Silver Lake for the last 23 years. He was a 1947 graduate of Cuyahoga Falls High School where he was very active in athletics. He received the Cuyahoga Falls High School Distinguished Alumni Award in 1999. Duane earned his BA from Kent State University in Finance, after serving in the Korean War with the U. S. Army. He served as Finance Director for the City of Cuyahoga Falls as well as councilman for the cities of Cuyahoga Falls and Silver Lake. Duane retired as Director of the Ohio Municipal Advisory Council in 1992. Other memberships include St. John's Episcopal Church, the Cuyahoga Falls Lions Club where he was past President and Life Member as well as recipient of the Melvin Jones Award. A charter member of the Scott Family Cowboy Club. He is survived by his wife of 56 years Lucille and children; Teresa, Sandra, and Christopher.





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CALENDAR

Calendar of Issuer Conferences & Outings for 2011

NAME	EVENT	DATE	LOCATION
CAAO	Summer Conference	June 6 - 9	Cleveland Renaissance Hotel – Cleveland, Ohio
	Winter Conference	Nov. 28 – Dec 1	The Columbus – A Renaissance Hotel - Columbus, Ohio
CTAO	Spring Meeting	May 10 - 12	Kalahari Resort – Sandusky, Ohio
	Fall Meeting	November 15 - 17	Columbus Marriott NW at Tuttle Crossing – Dublin, Ohio
GFOA	National Conference	May 22 – 25	Gonzalez Convention Center – San Antonio, Texas
	Annual Golf Outing	July 14	Sawmill Creek Golf Course – Huron, Ohio
	Annual Fall Conference	September 21 -23	Cleveland Renaissance Hotel - Cleveland, Ohio
MFOA	Annual Conference	Sept. 28 - 30	The Columbus – A Renaissance Hotel - Columbus, Ohio
(OML)	Northeast Ohio Golf Outing	TBD	TBD
	North-Central Ohio Golf Outing	September 7 (T)	Woussickett Golf Course – Sandusky, Ohio
NACO	National Conference	July 15 - 19	Oregon Convention Ctr, Multnomah County – Portland, Oregon
OAPT	Annual Conference	October 5 –7	Put-in-Bay Conference Center - Put-in-Bay, Ohio
	National Conference	July 24 - 27	Renaissance Hotel-Cox Conference Ctr – Oklahoma City, OK
OASBO	Annual Workshop	April 12 - 15	Hyatt Regency Hotel – Columbus Convention Center
OMCA	Spring Conference	April 19 - 21	Kings Island Resort & Conference Ctr. - Mason, Ohio
OPFOTP	Ohio Public Finance		
	Officers Training Program	June 13 - 17	Kalahari Resort - Sandusky, Ohio
	CMFA Maintenance Program	June 16 - 17	Kalahari Resort - Sandusky, Ohio
OSBA	Capital Conference	November 11 – 14	Columbus Convention Center – Columbus, Ohio

(T) – means date is tentative.

CAAO – County Auditor’s Association of Ohio – (614) 228-2226
 CTAO – County Treasures Association of Ohio – (614) 233-6818
 GFOA – Government Finance Officers Association – (614) 221-1900
 MFOA – Municipal Finance Officers Association of Ohio – (614) 221-4349
 NACO – National Association of Counties – (614) 221-5627

OAPT – Ohio Association of Public Treasurers – (216) 443-7814
 OASBO – Ohio Association of School Business Officials – (614) 431-9116
 OMCA – Ohio Municipal Clerks Association – (614) 221-4349
 OPFOTP – Ohio Public Finance Officers Training Program – (330) 972-7618
 OSBA – Ohio School Boards Association – (614) 540-4000

If you would like your event highlighted, contact Chris Scott at 1-800-969-6622, or by email at Chris@ohiomac.com