

**REQUEST FOR BOARD ACTION**

**HENDERSON COUNTY  
BOARD OF COMMISSIONERS**

**MEETING DATE:** June 6, 2011

**SUBJECT:** Governmental Accounting Standards Board (GASB) Financial Reporting Requirement – Tax Revaluation Reserve Funds

**PRESENTER:** J. Carey McLelland, Finance Director

**ATTACHMENTS:** GASB Statement #54 Requirements for Tax Revaluation Funds

**SUMMARY OF REQUEST:**

The Governmental Accounting Standards Board (GASB) is the national rulemaking body for local governments on accounting and financial reporting issues. The GASB has issued their Statement number 54 which basically states that for a Tax Revaluation Reserve Fund to be a standalone Special Revenue Fund and not combined with the County's General Fund, the governing body must take action that names a specific revenue source to be set aside and used for tax revaluations.

Our external auditors, Martin Starnes & Associates, CPAs, P.A., have reported to Staff that action by the Board of Commissioners must be taken in the current fiscal year to name a specific revenue source to be used for the Tax Revaluation Reserve Fund so that it can be reported as a Special Revenue Fund separately from the General Fund in the County's June 30, 2011 Comprehensive Annual Financial Report.

**BOARD ACTION REQUESTED:**

Staff is requesting that the Board take action to name ad valorem taxes as the specific revenue source to be used to fund the County's Tax Revaluation Reserve Fund for the current fiscal year ending June 30, 2011. For future fiscal years, this issue will be addressed in the budget ordinance to be adopted by the Board annually.

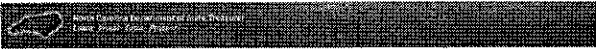
***Suggested Motion:***

***I move that the Board of Commissioners name ad valorem property taxes as the specific revenue source to be used to fund the County's Tax Revaluation Reserve Fund for the current fiscal year ending June 30, 2011.***

How Are Budget/Actual Statements Presented for Consolidated Funds?

In any consolidation there are at least two funds

- The surviving fund – the fund that is named on the statements – example: general fund
- The consolidated fund – the fund that is no longer named in the exhibits – example: capital reserve fund



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How Are Budget/Actual Statements Presented for Consolidated Funds?

- Budget/Actual for the Surviving Fund
  - The surviving fund or the general fund in our example would present the budget and actual for the legally adopted general fund in the budget/actual exhibit.
  - The current year actual amounts of the consolidated fund would show reconciling items back to the Revenue, Expenditure and Changes in Fund Balance Statement.
- Budget/Actual for the Consolidated Fund
  - The budget for the capital reserve fund must be presented in the financial statements.
  - In this case a capital reserve fund budget/actual would be presented in the individual fund statements after the combining statements (supplemental section).



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Tax Revaluation Funds

- G.S. 153A-150 requires Counties to set aside funds for tax revaluations.
  - Currently classified as special revenue funds
  - Can be annually budgeted or multi-year budget
- G.S. 153A-150 does not discuss the revenue source; therefore, the fund does not meet the criteria of restricted for classifying the fund as a special revenue fund.
- Does your Tax Revaluation Fund meet the criteria of committed?



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### Tax Revaluation Funds

- \* **Special Revenue** - If your governing body has passed some type of resolution that names a specific revenue source to be used for tax revaluations.
- **Consolidated into the General Fund** -- Governing Body has taken no action to name a specific revenue source to be used for tax revaluations.

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### Grants, Economic Development and Other Current Special Revenue Funds

All Special Revenue Funds will need to be examined to determine if they will continue as Special Revenue under GASB 54 guidance.

1. Meet the criteria of having a restricted or committed revenue source?
  - The restriction must come from the source of funds, or
  - The source of funds must be committed by the highest level of authority.

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### Grants, Economic Development and Other Current Special Revenue Funds

2. Does the source of funds allow funds to be used for purposes other than capital projects and debt service?

If unit has an economic development fund and cash is being transferred to another unit who must use the funds for capital or debt, then the unit providing the funds will still be able to classify the funds as special revenue.

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