

GASB 54
Fund Balance Reporting and
Governmental Fund Type Definitions

March 25, 2010
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Outline

- Overview
- Fund Balance - Current Standard
- Fund Balance under GASB 54
- Disclosures and Fund Balance Policies
- Government Fund Type Definitions

Overview

- **Title:** *Fund Balance Reporting and Governmental Fund Type Definitions*
- **Scope**
 - Changes how fund balance is presented
 - Clarified use of governmental fund types
- **Effective Date**
 - Periods beginning after June 15, 2010
 - Fiscal Years ending June 30, 2011
 - Calendar years ending December 31, 2011

Fund Balance - Current Standard

- What is fund balance?
 - Difference between fund assets and liabilities
- How is fund balance allocated?
 - Reserved
 - Unreserved
 - Designated
 - Undesignated

Fund Balance - Current Standard

- Fund Balance Allocation Objective
 - To isolate that portion of fund balance that *is not* available for the following period's budget
- Factors that make resources unavailable for appropriation
 - By their very nature can *never* be spent (e.g., prepaid rent, inventories of supplies)
 - Because of their timing of cash flows, *cannot yet* be spent (e.g., long-term loans receivable)
 - Can be spent but *not at the government's discretion* because externally restricted to a use narrower than the purpose of the fund

Fund Balance - Current Standard

- Why is there a need for change?
 - Terms are not intuitive and frequently misunderstood
 - Categories are often applied inconsistently

Fund Balance under GASB 54

Under GASB 54, fund balance should be reported in classifications that:

“comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent”

Fund Balance under GASB 54

- Five categories
 - Nonspendable
 - Restricted
 - Committed
 - Assigned
 - Unassigned
- Not all will always be present

Fund Balance under GASB 54

Nonspendable Fund Balance

- Not in spendable form
 - Cannot *ever* be spent
 - Cannot *currently* be spent
- Legally or contractually required to be maintained intact

Fund Balance under GASB 54

Restricted Fund Balance

- Amounts subject to externally enforceable legal restrictions
 - Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments
 - Imposed by law through constitutional provisions or enabling legislation

Fund Balance under GASB 54

Committed Fund Balance

- Amounts whose use is constrained by limitations that the government imposes upon itself
 - Imposed at the government's highest level of decision making
 - Binding unless removed in the same manner
 - Action taken no later than the close of the reporting period
 - Actual amount can be determined after close

Fund Balance under GASB 54

Assigned Fund Balance

- Intended use of resources
 - Established by the governing body itself, or
 - Established by a body or an official delegated by the governing body
- Never in excess of total fund balance less its nonspendable, restricted and committed components

Fund Balance under GASB 54

Unassigned Fund Balance

- Excess of total fund balance over nonspendable + restricted + committed + assigned components
- Available for any purpose
- Reported only in the general fund, except in cases of negative fund balance
 - Negative fund balances in other funds are reported as unassigned
 - Positive balance possible only in general fund

Fund Balance under GASB 54

Encumbrances

- Only indirectly affect the classification of fund balance
 - If liquidation expected from restricted or committed resources, constraint already reflected in those amounts
 - Otherwise *assigned fund* balance

Fund Balance under GASB 54

Encumbrances

- If you have encumbrance accounting, encumbrances will be reported either as:
 - Committed (if encumbrances are approved by action of the highest decision making authority)
 - Board votes to allocate \$250,000 of fund balance for a new fire truck
 - Assigned - Encumbrances resulting from the issuance of purchase orders as a result of normal purchasing activity approved by appropriate officials
 - This will be the most common classification of encumbrances

Fund Balance under GASB 54

Stabilization Arrangements

- Restricted
- Committed
- Unassigned
- Never classified as *assigned*
- Note disclosures

Disclosures and Fund Balance Policies

- Elements of a Comprehensive Fund Balance Policy
 - Fund balance policy should apply to:
 - Unrestricted fund balances
 - Committed
 - Assigned
 - Unassigned
 - Generally applies to the General Fund

Fund Balance Example

- Nonspendable Fund Balance
 - Includes
 - Prepaids
 - Inventory
 - Land held for sale (no constraint)

Fund Balance Example

- Restricted Fund Balance
 - Include:
 - Land held for sale (use of proceeds constrained)
 - Grants
 - Encumbrances
 - Stabilization

Fund Balance Example

- Committed Fund Balance
 - Include:
 - Action taken before end of period
 - May include Stabilization
 - Encumbrances
 - Exclude:
 - Action taken after end of period

Fund Balance Example

- Assigned Fund Balance
 - Include:
 - Action taken after end of period
 - Encumbrances (not payable from restricted resources)
 - Appropriated fund balance
 - Exclude:
 - Stabilization arrangement

Fund Balance Example

- Unassigned Fund Balance

Total Fund Balance

Less:

 Nonspendable fund balance

 Restricted fund balance

 Committed fund balance

 Assigned fund balance

Governmental Fund Type Definitions

- Special Revenue Fund
 - Current definition
 - To account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Governmental Fund Type Definitions

- Special Revenue Fund

- GASB 54 Definition

- 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 service or capital projects. *The term “proceeds for specific revenue sources” establishes that one or more restricted or committed revenues should be the foundation for a special revenue fund.*