

GASB 54- Fund Balance Reporting and Governmental Fund Type Definitions

UPDATE

April 20, 2011



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Objective

- 1) Provide an understanding of GASB 54
- 2) Provide an update on the GASB 54 implementation process
- 3) Communicate all changes to County departments



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Background

WHAT: Changes on how governmental funds' fund balance should be reported. Also, clarifies the use of governmental fund types.

WHEN: Fiscal Year 2011

WHY: FUND BALANCE classifications AND FUND TYPES are more easily understood. To Enhance consistency in financial reporting.



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Why Departments Need to Know



- Changes in governmental fund balance accounts.
- Changes in governmental funds' closing rules.
- County's Official Reports will change.
- Changes in Form 11's presentation related to fund balance terminology.



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Changes in GASB 54: Fund Balance Reporting

Fund Balance Terminology NO LONGER USED:

- Reserved and Unreserved or Designated Fund Balances

New Fund Balance Classifications:

- Nonspendable
- Restricted
- Committed
- Assigned and Unassigned



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Review of Old Fund Balance Classifications

Reserved Fund Balance - Unavailable

- Can never be spent by nature (prepaid, inventory)
- Cannot be spent at the government's discretion (externally restricted).

Unreserved Fund Balance –Available

- Designated for intended use
- Undesignated



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New Classifications

Nonspendable Fund Balance - Not in spendable form, such as:

- Inventory, Prepaids,
- Long-term receivables/ Land Held for resale
- Legally or contractually required to be maintained intact
- **Corpus of a permanent fund**



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New Classifications

Restricted Fund Balance - Amounts constrained to being used for a specific purpose by:

- External parties
- Constitutional provisions
- Enabling legislation



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New Classifications

Committed Fund Balance - Constraint on use imposed by the government itself.

- Constraint can be **removed or changed only** by taking the same action.

- Action to constrain resources **should occur prior to end of fiscal year**, though the exact amount may be determined subsequently.



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New Classifications

Assigned Fund Balance- Amounts *intended* to be used for specific purposes. Intent is **expressed**

by:

- A body (budget or finance committee) or official authorized by the governing body.

- Residual amounts in governmental funds other than the general fund are assigned.



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New Classifications

Unassigned Fund Balance- Available for any purpose.

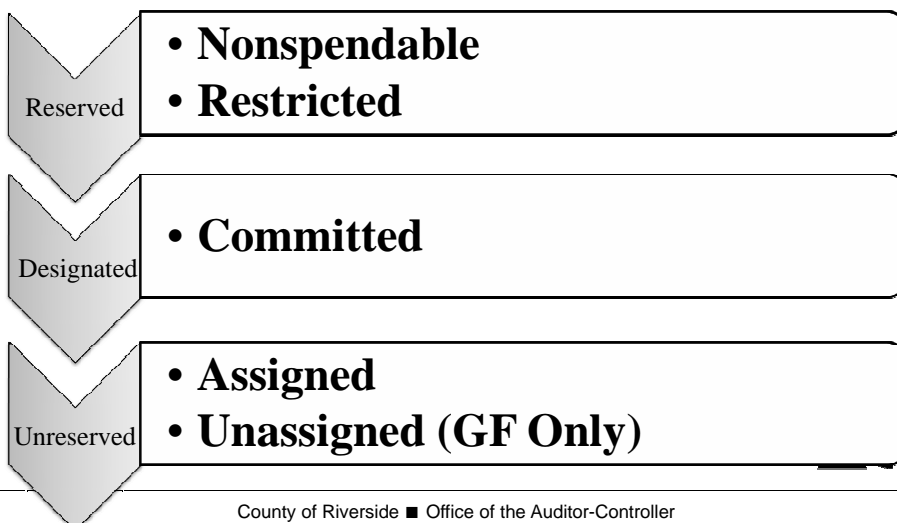
- **Reported only** in the general fund, **except** in cases of **negative fund balance**
 - **Negative balances** in other governmental funds are reported as **unassigned**



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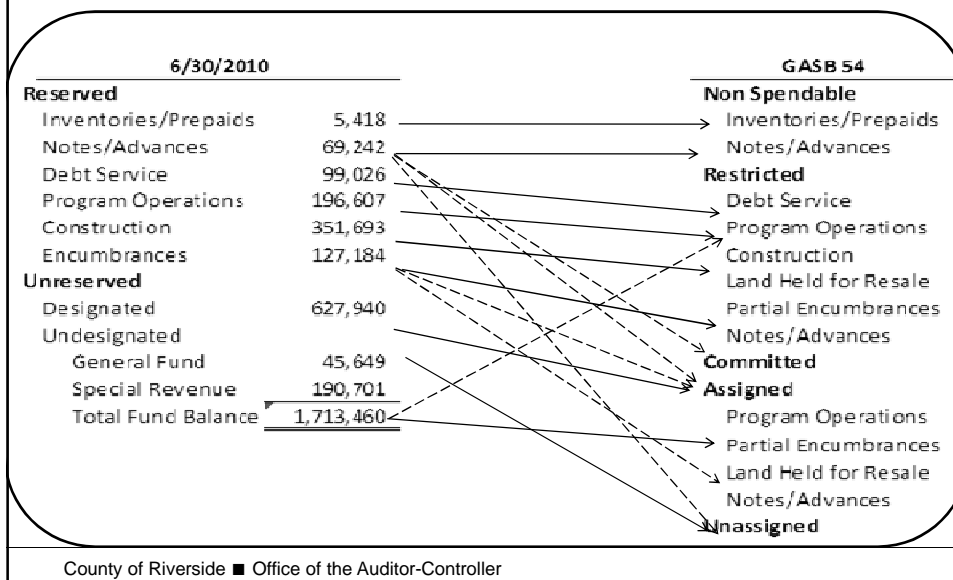
New Fund Balance Classifications

Now **Essentially**



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Where are amounts going?



Update on Implementation Changes

- Evaluation of all governmental funds based on FY 09 revenue sources have been completed.
- Evaluation of all governmental funds' fund balance structure have been completed.
 - New fund balance accounts are created which will be effective July 1, 2011.
 - Crosswalk of existing balances vs. new classification is in place.



Update on Implementation Changes

- Combo Rules for fund/account have been validated/modified accordingly.
- Reporting tree(s) have been created/modified.
- Simpler Reports will reflect the new terminology effective July 1.
- Encumbrance process will change.



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Update on Implementation Changes

- **There is no longer an automatic Reserve for Encumbrances.**
- Amounts are classified as restricted, committed, and assigned based on the source and level of the constraints placed on them — **encumbering those amounts does not further affect them.**



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Update on Implementation Changes

- **Changes to Schedule K and K-1:**
 - New columns to be added for departments to categorize the funding source of the encumbrances:
 - Restricted, Committed, Assigned.
 - Account 302100 inactivated.
 - Journal may not be necessary unless moving from GF- unassigned fund balance.



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Update on Implementation Changes

- Board policy to delegate authority to create **assigned** fund balance. (Not required).
- **Minimum fund balance policy**
 - A set amount
 - Percentage
 - A range



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Update on Implementation Changes

- **Stabilization arrangements (Rainy Day Funds)**
 - Authority for establishing
 - Requirements for additions
 - Conditions under which amounts may be spent
 - Must be nonroutine
 - Balance (if not separately displayed)



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Update on Implementation Changes

- **Spending prioritization policies** (the flow assumption)
 1. Restricted vs. unrestricted
 2. Within unrestricted: Committed, assigned, unassigned

Note: Funds with multiple funding sources must follow Board Policy. An annual certification from departments will be required to allocate accordingly.



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