

**GASB 54 –
*Fund Balance Reporting and
Governmental Fund Type Definitions***

**By: Dolores Reyna
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Objective

- 1) Provide an understanding of GASB 54.
- 2) Update on the County's implementation process.
- 3) Summarize the effects on County's operations.



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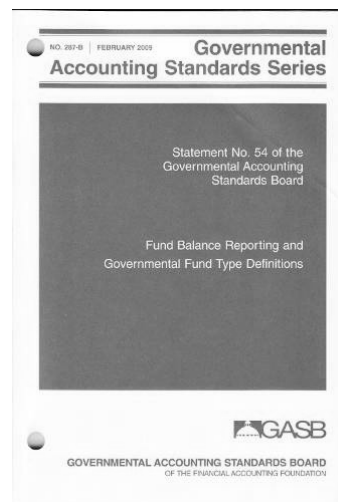
Background

Scope of GASB 54

- **Changes how fund balance is presented.**
- **Clarifies the use of governmental fund type.**

Effective

Fiscal Year 2011



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Changes in GASB 54: Fund Balance Reporting

What is gone?

- Reserved and Unreserved Fund Balance
- Designations

What is new – 5 classifications of Fund Balance

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned



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Old..

Focus on resources available for appropriations

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



New..

“..a hierarchy based 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” (GASB No. 54, ¶ 5)



Nonspendable Fund Balance

- Not in spendable form, such as
 - Inventory
 - Prepaids
 - Long-term receivables/ Land Held for Resale(**unless the proceeds are restricted, committed, or assigned**)
- Legally or contractually required to be maintained intact
 - **Corpus of a permanent fund**



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Restricted Fund Balance

- **Amounts constrained to being used for a specific purpose by**
 - External parties
 - Constitutional provisions
 - Enabling legislation



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Committed Fund Balance

- Constraint on use **imposed by the government itself**, using its highest level of decision making authority
- 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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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**
- **Appropriation** of existing fund balance



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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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Where Classifications Are Found

General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Permanent Funds
Nonspendable				
Restricted				
Committed				
Assigned	Assigned – Residual Category – Cannot Be Negative			
Unassigned	Unassigned – Used <i>Only</i> If Negative Assigned must be eliminated before use			

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Example

- Consider a government that has
 - \$100 **earmarked** for capital projects by the government itself
 - \$100 in property tax revenue **restricted** to paying debt service
 - \$100 of cash available for **any purpose**



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Current Standards

- **If the amounts constrained to specific purposes are reported in the *general fund*, they are shown as reserved**

	GF	SRF	DSF	CPF	Non-major Funds	Total
Reserved for:						
Capital projects	\$100					\$100
Debt service	\$100					\$100
Unreserved	\$100					\$100

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Current Standards

If the amounts constrained to specific purposes are reported *outside* the general fund, they are shown as unreserved

	GF	SRF	DSF	CPF	Non-major Funds	Total
Reserved for:						
Capital projects	\$100					\$0
Debt service	\$100					\$0
Unreserved	\$100		\$100	\$100		\$300

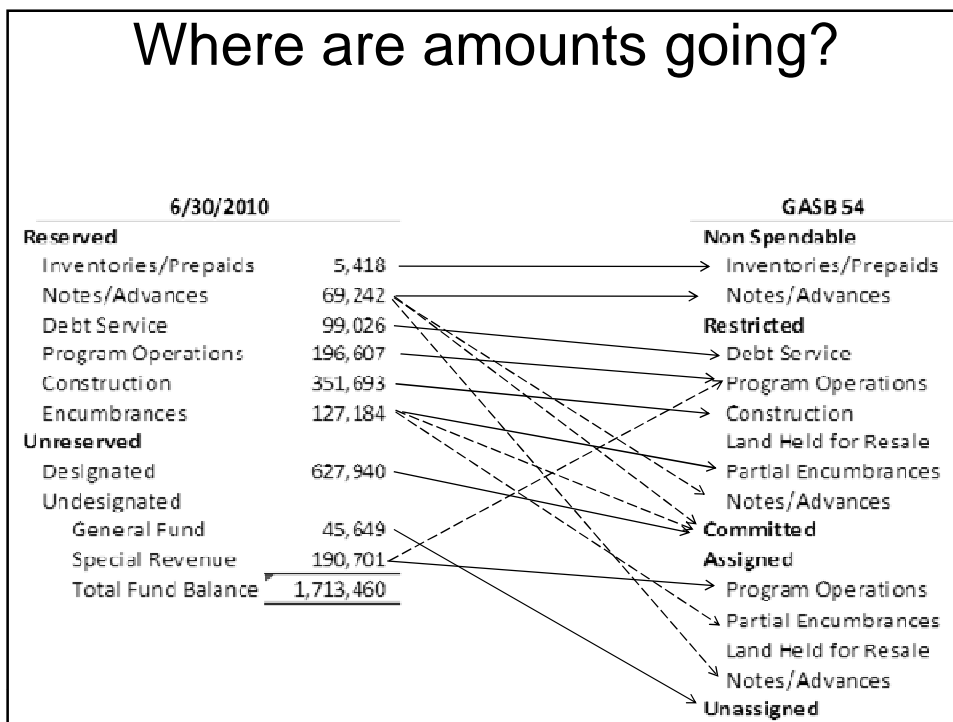
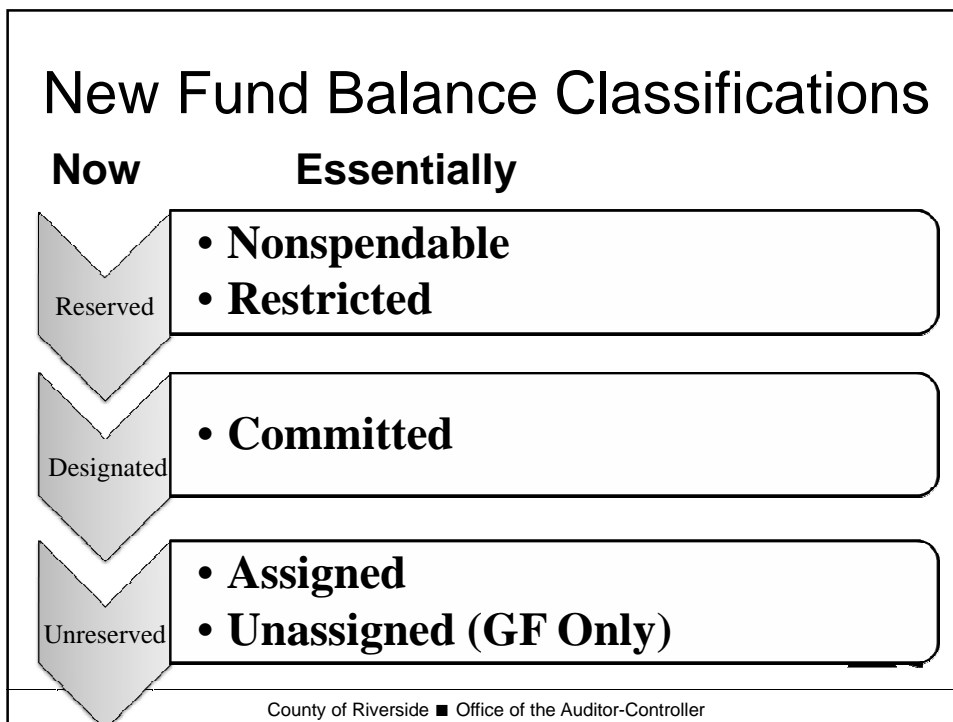
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New Standard

The amounts constrained to specific purposes are reported in the same classifications *regardless of the fund they are in*

	GF	SRF	DSF	CPF	Non-major Funds	Total
Restricted for: Debt service	\$100	→	\$100			\$100
Committed for: Capital projects	\$100	→		\$100		\$100
Unassigned	\$100					\$100

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CAFR – Balance Sheet Presentation

Fund balances:	General Fund	Major Special Revenue Funds		Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
		Highway Fund	School Aid Fund				
Nonspendable	\$ 125,000	\$ 108,000	\$ 16,000	—	—	\$ 164,000	\$ 413,000
Restricted	405,000	24,000	—	\$ 206,000	\$ 796,000	214,000	1,645,000
Committed	461,000	—	103,000	—	—	—	564,000
Assigned	230,000	258,000	73,000	306,000	652,000	176,000	1,695,000
Unassigned	525,000	—	—	—	—	—	525,000
Total fund balances	\$ 1,746,000	\$ 390,000	\$ 192,000	\$ 512,000	\$ 1,448,000	\$ 554,000	\$ 4,842,000



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CAFR – Note Disclosure- Specific Purpose

Fund balances:	General Fund	Major Special Revenue Funds		Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
		Highway Fund	School Aid Fund				
Fund balances:							
Nonspendable:							
Inventory	\$ 125,000	\$ 108,000	\$ 16,000	—	—	—	\$ 249,000
Permanent fund principal	—	—	—	—	—	\$ 164,000	164,000
Restricted for:							
Police services	240,000	—	—	—	—	—	240,000
Parks and recreation	80,000	—	—	—	—	—	80,000
Education	55,000	—	—	—	—	—	55,000
Highways	—	—	—	—	\$ 444,000	—	444,000
Road surface repairs	—	24,000	—	—	—	—	24,000
Debt service reserve	—	—	—	\$ 206,000	—	—	206,000
School construction	—	—	—	—	301,000	—	301,000
Law enforcement	—	—	—	—	—	214,000	214,000
Other capital projects	—	—	—	—	51,000	—	51,000
Other purposes	30,000	—	—	—	—	—	30,000
Committed to:							
zoning board	16,000	—	—	—	—	—	16,000
Economic stabilization	210,000	—	—	—	—	—	210,000
Homeland security	110,000	—	—	—	—	—	110,000
Education	50,000	—	103,000	—	—	—	153,000
Health and welfare	75,000	—	—	—	—	—	75,000
Assigned to:							
Parks and recreation	50,000	—	—	—	—	—	50,000
Library acquisitions	50,000	—	—	—	—	—	50,000
Highway resurfacing	—	258,000	—	—	—	—	258,000
Debt service	—	—	—	306,000	—	—	306,000
Public pool	—	—	—	—	121,000	—	121,000
City Hall renovation	—	—	—	—	60,000	—	60,000
Other capital projects	50,000	—	—	—	471,000	—	521,000
Other purposes	80,000	—	73,000	—	—	176,000	329,000
Unassigned:							
Other purposes	525,000	—	—	—	—	—	525,000
Total fund balances	\$ 1,746,000	\$ 390,000	\$ 192,000	\$ 512,000	\$ 1,448,000	\$ 554,000	\$ 4,842,000

This level of detail is not required for display on the face of the balance sheet. Fund balance categories and classifications may be presented in detail or in the aggregate if sufficient detail is provided in the notes to the financial statements.

County Implementation Process

- Evaluating each fund's Revenue Sources:
 - Fund Analysis on Revenue Sources-GASB 54 Worksheet based on 6/30/09 revenue sources.
- Evaluating fund balance accounts as of 12/31/10 –all governmental funds.
 - Crosswalk of existing balances vs. new classification.



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Fund Analysis Based on Revenue Sources GASB 54 Implementation Worksheet Effective Fiscal Year 2011									
Fund Name: Transportation									
Fund Type: Special Revenue Fund									
*Please explain each revenue source with 2% or greater revenue percentage.									
Account	June 30, 2009 Data	Revenue X by Sub Fund	Fund Balance Classification				Fund Type Classification		
			Source of the Funds (Specify Tax type, Charge for Service, Fee, Grant, etc.)	Legal Restriction on use of funds?	External (Non-County) or Internal Restriction? (Specify Ordinance No., Board Agenda Item, Grant, etc.)	If Yes: What is the restriction on use of the funds? (Specify the allowable costs)	If both restricted and unrestricted revenues were received in this fund, please explain how expenditures are allocated and tracked for each	Based on GASB 54: Are the Funds Restricted, Committed, Assigned, or Appropriated?	General Fund Subfund or Special Revenue
Sub-Fund 20000 -- Transportation									
Licenses, Permits/Franchise Tax									
723000	Permit/Road Privileges	81,930.00	0.4%						
723020	Parade Fee	2,837.45	0.0%						
Total Licenses, Permits/Franchise Tax		84,767.45	0.4%						
Rev Fr Use Of Money & Property									
740020	Interest-Invested Funds	251,638.66	0.2%						
State									
750000	CA-Hwy Users/Gas Tax S	20,011.50	0.0%						
750020	CA-Hwy Users/Gas Tax S	64,003.36	0.0%						
750040	CA-Hwy Users/Gas Tax S	5,325.00	0.0%						
750060	CA-Hwy Users/Gas Tax S	16,335,655.23	16.4%						
750080	CA-Hwy Users/Gas Tax S	8,471,418.70	0.3%						
750100	CA-Hwy Users/Gas Tax S	1,845,210.30	1.8%						
755520	CA-Misc State Reimburse	(52,852.06)	-0.0%						
755740	CA-Indian Gaming Grants	733,448.16	0.7%						
Total State		28,023,521.95	27.4%						
Federal									
764000	Fed-Forest Reserve	38,357.50	0.0%						
767140	Fed-Misc Reimbursement	17,502,337.30	17.0%						
Total Federal		17,540,694.80	17.0%						
Other Government									
763140	CVAG	10,107,154.52	9.9%						
Charges for Current Services									
771800	Engineering Services	7,000.00	0.0%						
771820	Sale Of Plans-Specification	49,327.00	0.0%						

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Implementation Goals

- Proper presentation in accordance with GASB 54.
- Implement with the least amount of interruption to current County operations.
- Retain history and audit trail.
- Communicate changes.



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Chart of Accounts Dilemma

1. When feasible, rename current account names to new category (assuming similar purpose).
 - Reserved for program to Restricted for program.
 - Reserved for prepaids to Nonspendable for prepaids.
2. Inactivate all current fund balance accounts and create new accounts.



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To do...

- Form 11- New Fund Balance terminology to be used after balances are reclassified.
- Budget (BASE) – FY 11 Budget to be reinstated with the new terminology.
- Closing rules to funds – Updates all funds
- Reporting Trees – Create new categories.



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Encumbrances

- **Encumbrances should not** be displayed separately within the restricted, committed, and assigned categories
- Amounts are classified as restricted, committed, and assigned based on the source and strength of the constraints placed on them — **encumbering those amounts does not further affect them**



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Encumbrances – Cont

- 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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Note Disclosures... Policies

- 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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Note Disclosures... Policies

- **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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Note Disclosure ... Policies

- **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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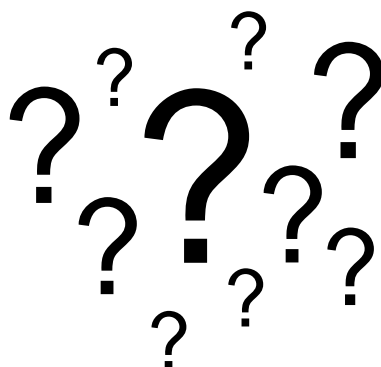
Early Implementers

County of San Mateo
City of Corona



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Questions



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