

GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions



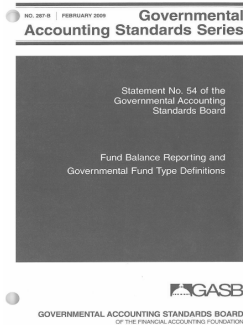
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Background

- **Effective For Fiscal Year June 30, 2011**



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Objective of Today's Discussion

- To provide an update on GASB Statement No. 54, so that you have an understanding of
 - changes in financial reporting
 - changes in budget – submission of Form 11's

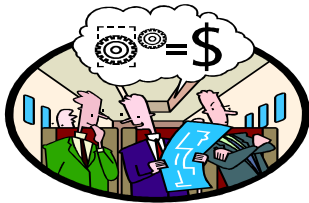


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Fund Balance – Current Standard

What is Fund Balance?

– Difference between assets and liabilities



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Fund Balance – Current Standard

How do we allocate Fund Balance?

- Reserved
- Unreserved
 - Designated
 - Undesignated



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Fund Balance – Current Standard

Traditional focus = Fund resources available for appropriation (budgeting)

- **Reserved Fund Balance = Not available**
- **Unreserved Fund Balance = Available**



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Fund Balance – Current Standard

Reserved Fund Balance = Not available

- Resources not available for spending in the current year’s budget. Example: long-term loan receivable, supplies inventories.
- Legal restrictions impose a limitation on purpose of the fund. Example: LLEBG-Law Enforcement Block Grant-2000



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Fund Balance – Current Standard

- Designated Fund Balance – intended use of resources by management or governing body. Example: DFB-PSEC 800 MHz or DFB-CAC Improvement



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Need for change



- Widespread confusion about terminology
- Categories often applied inconsistently
- Challenges to focus on availability for appropriation



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New Fund Balance Classifications

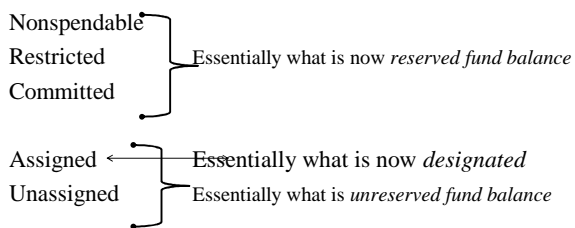
Components of fund balance:

- **Nonspendable**
- **Restricted**
- **Committed**
- **Assigned**
- **Unassigned**



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New Fund Balance Classifications



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Nonspendable Fund Balance

- **Not in spendable form**
 - Cannot ever be spent (e.g., supplies inventories and prepaid)
 - Cannot currently be spent (e.g., the long-term portion of loans receivables)
- **Legally or contractually required to be maintained intact** (e.g., principal of an endowment fund)



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Restricted Fund Balance

▪ **Amounts constrained to being used for a specific purpose by:**

– External parties (i.e., creditors, grantors, contributors, or laws or regulations of other governments

– Imposed by law through constitutional provisions or enabling legislation



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Committed Fund Balance

▪ **Amounts whose use is constrained by limitation that the government imposes upon itself**

– Constraint on use imposed by the government's highest level of decision making authority

– Same type of action required to remove or change the specified use

– Action to constrain resources should occur prior to end of fiscal year



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Assigned Fund Balance

▪ **Amounts intended to be used for specific purposes**

▪ **Intent is expressed by**

– The governing body itself, or

– An official delegated by the governing body



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Committed Vs. Assigned

- Both constrained to being used for specific purposes by actions taken by the government itself
- Assignment is not required to be made by the government's highest level of decision making authority
- Same action is not required to remove or modify an assignment



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Unassigned Fund Balance

- Available for any purpose
- General fund should be the only fund that reports a positive unassigned fund balance
- Deficit balance possible in any governmental fund



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Question 1

The term fund balance is used exclusively in connection with

- A) Proprietary funds
- B) Fiduciary funds
- C) Governmental funds



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Question 2

Prior to GASB No. 54, intended use of resources by management or governing body is referred to as

- A) Reserved
- B) Restricted
- C) Unreserved- designated



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Question 3

Which of the following is a component of the fund balance under GASB 54?

- A) Designated
- B) Reserved
- C) Committed



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Question 4

Assigned Fund Balance is more restrictive than Committed Fund Balance.

- True
- False



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Stabilization amounts

- **Amounts set aside for rainy-day are considered a specific purpose**
 - **If constraints on stabilization amounts meet criteria to be reported as restricted or committed, then stabilization can be considered specific purpose.**

 - **Stabilization amounts should not be reported as assigned fund balance.**



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Encumbrances

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



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Note Disclosure

Description of authority and actions that lead to committed and assigned fund

Balance for Committed Fund Balance:

- **The government’s highest level of decision making authority and the formal action that is required to be taken.**



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Note Disclosure

▪ **For Assigned Fund Balance:**

– The body or official authorized to assign amounts to a specific purpose.

– The policy established by the governing body pursuant to which that authorization is given.



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Note Disclosure

▪ **Government policy regarding order of spending**

– Restricted and unrestricted fund balance
– Committed, assigned, and unassigned

▪ **Stabilization arrangements**

– Authority for establishing
– Requirements for additions
– Conditions under which amounts may be used



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**Governmental Fund Type
Definitions**



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General Fund

- **Current Definition:** The general fund is used to account for all financial resources *except those required* to be accounted for in another fund.
- **GASB 54 Definition:** The general fund is used to account for and report all financial resources *not accounted for and reported in another fund*.



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Special Revenue Fund

Current Definition:

- Special Revenue Funds are used to account for the *proceeds of specific revenue sources* that are **legally restricted** to expenditure for *specified purposes*.



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Special Revenue Funds

Statement 54 Definition:

- Special Revenue Funds are used to account for and *report proceed of specific revenue sources that are restricted or committed* to expenditure for specified purposes other than debt service or capital projects.



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Special Revenue Funds

- Proceeds of specific revenue source that are restricted or committed should be recognized as revenue in the special revenue fund and not in the fund initially receiving them.
- If the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue source, then the resources should be reported in the general fund.



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Capital Project Funds

Current Definition:

- Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of *major capital facilities*.



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Capital Project Funds

Statement 54 Definition:

- Capital Project Funds are used to account for and report financial resources that are *restricted, committed, or assigned* to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.



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Debt Service Funds

Current Definition:

- Debt Service Funds are used to account for the accumulation of resources for, and the payment of, *general long-term debt and interest.*



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Debt Service Funds

Statement 54 Definition:

- Debt Service Funds are used to account for and report financial resources that are *restricted, committed, or assigned to expenditure for principal and interest.*



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Debt Service Funds

- **Debt Service Funds should be used to report resources if legally mandated.**
- **Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.**



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Question 5

Which definition of Special Revenue Funds appears more restrictive?

- Old
- New



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Question 6

What is Fund Balance?



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Question 7

What are the five categories of Fund Balance under GASB 54?



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What to Do?

- **GASB 54 will be here sooner than we think!**
- **ACO will need to review fund structure.**
- **Work with the Executive Office in establishing a fund balance policy.**



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What to Do?

- **Communicate the fund balance changes to the Executive Office, so the changes are reflected in the FY 2010-11 Budget book.**
- **Work with all county departments in getting the GL-1 (Fund Establishment) form updated.**



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What to Do?

- **The departments need to make sure the new fund balance terminology is reflected correctly in their Form 11's for FY 2010-11.**



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