

# **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**

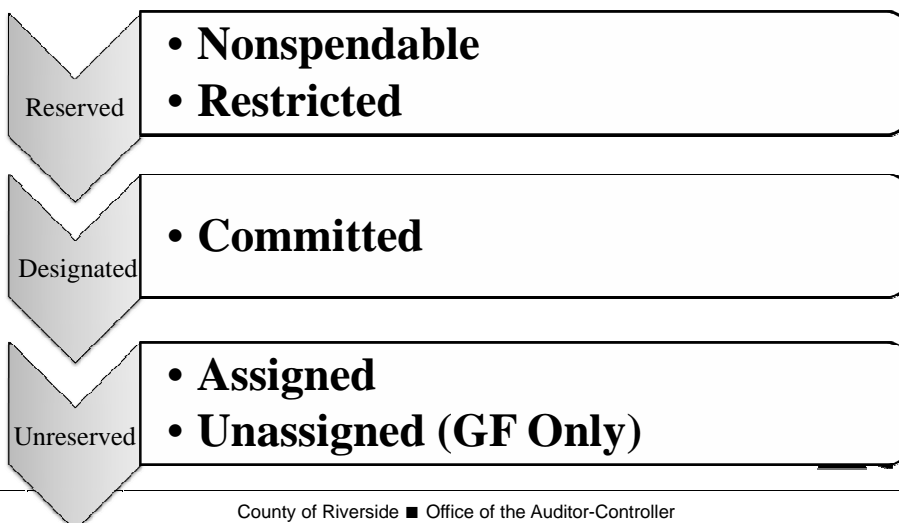
- **Negative balances** in other governmental funds are reported as **unassigned**



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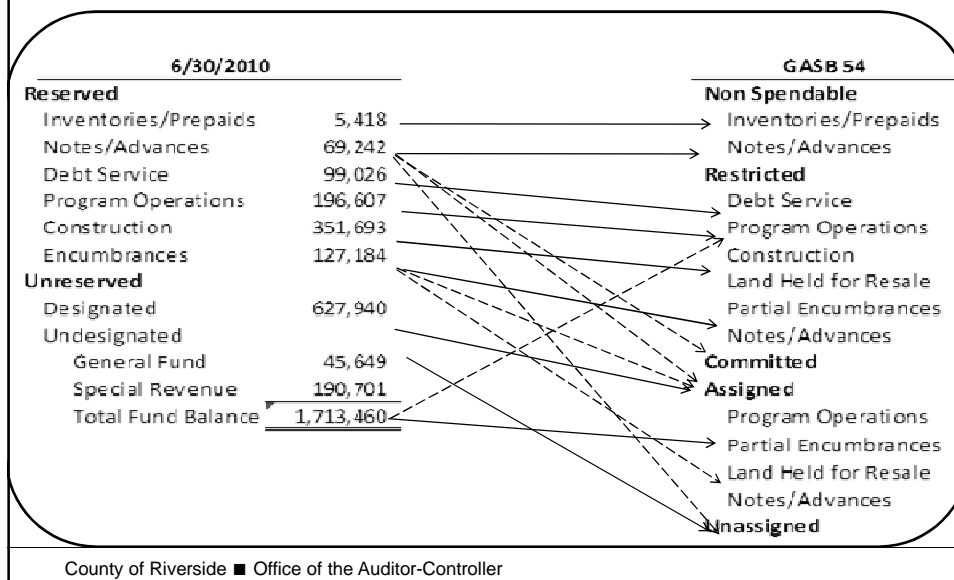
## New Fund Balance Classifications

**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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