GASB 54 –
Fund Balance Reporting and
Governmental Fund Type Definitions

By: Dolores Reyna
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County Auditor-Controller

Objective

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

Scope of GASB 54

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

Effective

Fiscal Year 2011

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
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

Restricted Fund Balance

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

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
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**

Where Classifications Are Found

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Special Revenue Funds</th>
<th>Capital Projects Funds</th>
<th>Debt Service Funds</th>
<th>Permanent Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assigned</th>
<th>Assigned – Residual Category – Cannot Be Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unassigned</td>
<td>Unassigned – Used <em>Only</em> If Negative</td>
</tr>
<tr>
<td></td>
<td>Assigned must be eliminated before use</td>
</tr>
</tbody>
</table>

County of Riverside ■ Office of the Auditor-Controller
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

Current Standards

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

<table>
<thead>
<tr>
<th>Reserved for:</th>
<th>GF</th>
<th>SRF</th>
<th>DSF</th>
<th>CPF</th>
<th>Non-major Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital projects</td>
<td>$100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$100</td>
</tr>
<tr>
<td>Debt service</td>
<td>$100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$100</td>
</tr>
<tr>
<td>Unreserved</td>
<td>$100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$100</td>
</tr>
</tbody>
</table>
Current Standards

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

<table>
<thead>
<tr>
<th>Reserved for:</th>
<th>GF</th>
<th>SRF</th>
<th>DSF</th>
<th>CPF</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Capital projects</td>
<td>$100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>Debt service</td>
<td>$100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>Unreserved</td>
<td>$100</td>
<td>$100</td>
<td>$100</td>
<td></td>
<td>$300</td>
<td></td>
</tr>
</tbody>
</table>

New Standard

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

<table>
<thead>
<tr>
<th>Restricted for:</th>
<th>GF</th>
<th>SRF</th>
<th>DSF</th>
<th>CPF</th>
<th>Non-major Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt service</td>
<td></td>
<td></td>
<td>$100</td>
<td></td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Committed for:</td>
<td>$100</td>
<td></td>
<td></td>
<td></td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Capital projects</td>
<td></td>
<td></td>
<td></td>
<td>$100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unassigned</td>
<td>$100</td>
<td></td>
<td></td>
<td></td>
<td>$100</td>
<td></td>
</tr>
</tbody>
</table>
New Fund Balance Classifications

**Now**
- Reserved
  - Nonspendable
  - Restricted
- Designated
  - Committed
- Unreserved
  - Assigned
  - Unassigned (GF Only)

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Where are amounts going?

<table>
<thead>
<tr>
<th>6/30/2010</th>
<th>GASB 54</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reserved</strong></td>
<td>Non-Spendable</td>
</tr>
<tr>
<td>Inventories/Prepends</td>
<td>Notes/Prepends</td>
</tr>
<tr>
<td>Notes/Advances</td>
<td>Restricted</td>
</tr>
<tr>
<td>Debt Service</td>
<td>Debt Service</td>
</tr>
<tr>
<td>Program Operations</td>
<td>Program Operations</td>
</tr>
<tr>
<td>Construction</td>
<td>Construction</td>
</tr>
<tr>
<td>Encumbrances</td>
<td>Land Held for Resale</td>
</tr>
<tr>
<td><strong>Unreserved</strong></td>
<td>Partial Encumbrances</td>
</tr>
<tr>
<td>Undesignated</td>
<td>Notes/Advances</td>
</tr>
<tr>
<td>General Fund</td>
<td>Committed</td>
</tr>
<tr>
<td>Special Revenue</td>
<td>Assigned</td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>Unassigned</td>
</tr>
</tbody>
</table>
## CAFR – Balance Sheet Presentation

<table>
<thead>
<tr>
<th>Fund balances:</th>
<th>General Fund</th>
<th>Special Revenue Funds</th>
<th>Debt Capital Projects Fund</th>
<th>Other Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable</td>
<td>125,000</td>
<td>108,000</td>
<td>—</td>
<td>—</td>
<td>413,000</td>
</tr>
<tr>
<td>Restricted</td>
<td>405,000</td>
<td>24,000</td>
<td>—</td>
<td>206,000</td>
<td>1,645,000</td>
</tr>
<tr>
<td>Committed</td>
<td>461,000</td>
<td>—</td>
<td>103,000</td>
<td>—</td>
<td>564,000</td>
</tr>
<tr>
<td>Assigned</td>
<td>230,000</td>
<td>258,000</td>
<td>73,000</td>
<td>306,000</td>
<td>1,695,000</td>
</tr>
<tr>
<td>Unassigned</td>
<td>525,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>525,000</td>
</tr>
<tr>
<td><strong>Total fund balances</strong></td>
<td>1,746,000</td>
<td>1,390,000</td>
<td>192,000</td>
<td>512,000</td>
<td>4,842,000</td>
</tr>
</tbody>
</table>

## CAFR – Note Disclosure - Specific Purpose

<table>
<thead>
<tr>
<th>Fund balances:</th>
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<td>—</td>
<td>413,000</td>
</tr>
<tr>
<td>Restricted</td>
<td>240,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>240,000</td>
</tr>
<tr>
<td>Committed</td>
<td>115,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>115,000</td>
</tr>
<tr>
<td>Assigned</td>
<td>50,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>50,000</td>
</tr>
<tr>
<td>Unassigned</td>
<td>525,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>525,000</td>
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<td>1,390,000</td>
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<td>512,000</td>
<td>4,842,000</td>
</tr>
</tbody>
</table>

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.
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.

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.
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.

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**
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.

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
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)

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.
Early Implementers

County of San Mateo
City of Corona

Questions