

Have You Started Planning for GASB 54?

by Miller Edwards & Meredith Lipson

In June 2008, GASB issued *Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*. This pronouncement changes terminology and reporting relative to the presentation of fund balance in governmental funds at the fund level, and is effective beginning with years ending June 30, 2011. **The time to prepare for the reporting requirements of GASB 54 is now!** Currently, we have fund balance terms such as reserved, unreserved and designated. Going forward under this new pronouncement we will have terms such as:



Nonspendable fund balance would include amounts associated with inventory, prepaids, long-term receivables, property held for sale and the corpus of a permanent fund. In essence, *nonspendable* is the fund balance term to indicate that the respective resources are not available to be spent in any way due to their very nature and/or their lack of availability.

Restricted carries the same definition as set forth by GASB No. 34 relative to net assets. This would include any fund balance that is restricted in its use by: a) external parties; b) constitutional provisions; or, c) enabling legislation. Good examples in Georgia would include the fund balances associated with an E-911 Fund, a Hotel/Motel Tax Fund, or a SPLOST Fund. Another example could be the fund balance mandated by bond resolutions and covenants to be carried and reported in a Debt Service Fund.

(Cont'd on page 2)

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Our Resources

As always, we are available as a resource to you as questions arise related to ARRA funding. We will be in this "together" as both auditor and auditee alike will have to keep up with evolving and fluid guidance from the Federal and State governments.

Please contact any of our government partners and managers listed here, at 1-800-277-0050 if we can help.

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Committed fund balance represents amounts for which the governing board of the respective reporting government imposes constraints, using its law making process, on how funds may or may not be used. In such a case, the only way a constraint can be removed or changed is by the same type of action of the governing board. Actions to constrain resources should occur **prior to the end of a fiscal year**, though the exact amount may be determined subsequently. The governing board can commit fund balance, even if doing so creates an uncommitted deficit.

Assigned fund balance represents amounts intended to be used for specific purposes with the intent being expressed by the reporting government's governing board or upper level management authorized by the governing board. With the exception of the General Fund, amounts in all other governmental funds that are not *nonspendable*, *restricted* or *committed* will be considered to be *assigned*. Also, at fiscal year end any appropriation of existing fund balance to eliminate a projected budgetary deficit in the next year's budget is considered to be an assignment of fund balance. Assigned fund balance may *never* exceed total fund balance less its nonspendable, restricted and committed components.

Unassigned fund balance is anything that does not meet the above definitions and represents fund balance that is available for any purpose. The only fund that will ever report *unassigned* fund balance is the General Fund except in cases of other governmental funds reporting deficit fund balance (or negative fund balance).

Additionally, Under GASB 54, *encumbrances* are no longer displayed as a separate classification of fund balance on the face of the balance sheet. Instead, governments that use encumbrance accounting should disclose this information in the footnotes in conjunction with required disclosures about other significant commitments.

Along with the above financial statement elements GASB 54 establishes new definitions for governmental funds, and specifically deals with the treatment of "stabilization" funds. It will also require additional information and changes to the respective notes to the financial statements and the management discussion and analysis (MD&A).

The biggest implication to consider today is how your fund balance will be reflected under these new reporting standards and what will interested parties think and understand these amounts to mean and represent. For instance, will your unreserved fund balance of today equate with unassigned fund balance of tomorrow?



Congratulations to Tom Gray, Coordinator of Audits and Financial Reporting at the Fayette County Board of Education!

Tom recently completed the Certified Public Finance Officers (CPFO) Program of the Government Finance Officers Association and has received the designation of Certified Public Finance Officer.



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