



GASB 54

Fund Balance Reporting and Governmental Fund Type Definitions

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GASB 54 Fund Balance Reporting

- Providing clearer hierarchy based fund balance classifications based on constraints
- Better consistency
- Clarifies governmental fund types
- Applies only to governmental funds
- No change for the government-wide statements

GASB 54 Fund Balance Reporting

- Current rule for fund balance:
 - Reserved
 - Unreserved
 - Designated
 - Undesignated
 - Reserved – not available to spend in current year and/or legal restrictions more narrow than the fund

GASB 54 Fund Balance Reporting

- Establishes 5 categories
 - Nonspendable
 - Restricted
 - Committed
 - Assigned
 - Unassigned

GASB 54 Fund Balance Reporting

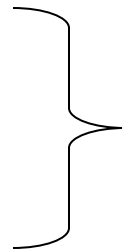
-Establishes 5 categories

- Nonspendable
- Restricted
- Committed



Similar to current
Reserved

- Assigned
- Unassigned



Unreserved

Designated
Undesignated

GASB 54 Fund Balance Reporting

Nonspendable Fund Balance

- Examples:

- inventories, prepaids, long term notes
receivables, loans, property acquired for
resale

- Legally or contractually required to be maintained
intact

- corpus of a permanent fund

GASB 54 Fund Balance Reporting

Restricted Fund Balance

- Amounts constrained for specific purposes
 - Imposed by external parties
 - By Law
 - Enabling legislation legally enforceable by external parties.

Essentially the same definition as GASB 34 & GASB 46

GASB 54 Fund Balance Reporting

Committed Fund Balance

- Constraints for specific purposes imposed by:
 - Formal action of *highest decision making authority*
 - Constraint can be removed only by the same formal action
 - Action must occur prior to end of fiscal year

NO RETROACTIVE COMMITMENTS

- Actual calculation can be performed post year end

GASB 54 Fund Balance Reporting

Assigned Fund Balance

- Informal constraints, intended to use for specific purposes
- School board should delegate the authority to appropriate official to make assignments (e.g., Business Manager or Superintendent)
- All residual fund balances outside the general fund are “assigned” (special revenue funds, d/s funds, etc.)
- Appropriations of existing fund balance are assigned

GASB 54 Fund Balance Reporting

Assigned Fund Balance

- Should not assign fund balance if doing so causes a deficit in the unassigned fund balance
- This includes the appropriation of fund balance to eliminate a projected subsequent year budget deficit

GASB 54 Fund Balance Reporting

Unassigned Fund Balance

- The “leftover” classification for the general fund
- No specific restrictions, commitments, assignments, and has not be assigned to other funds
- Reported ONLY in the general fund (except negative balances in other governmental funds are also reported as unassigned)

GASB 54 Fund Balance Reporting

Creates a need to identify classifications

- Requires the government to formulate policies dictating how it considers which fund balances are spent when an expenditure is incurred for purposes for which multiple fund balance types are available.
 - Restricted vs. unrestricted
 - Unrestricted types -- No policy?

GASB 54 Fund Balance Reporting

Fund deficits

- If expenditures incurred for a specific purpose exceed the restricted, committed, and assigned balances for the same purpose, a negative residual amount is produced. Amounts assigned to other purposes should be eliminated so no deficit exists, if possible. A unassigned deficit may exist after this procedure.
- Cannot report deficits in restricted, committed, or assigned
- Cannot assign fund balance causing a deficit in unassigned

GASB 54 Fund Balance Reporting

Reporting and Disclosures

- Level of detail disclosures may be reported on the face of the statement or in the notes (or a combination)
- Nonspendable by type
- Restrictions by purpose
- Commitments and assignments by major purpose

GASB 54 Fund Balance Reporting

- Nonspendable – Inventory
- Restricted for – School Construction
- Committed to – Sports Contract
- Assigned to – Curriculum Development
- Unassigned

GASB 54 Display Exhibit

	General Fund	Major Special Revenue Funds Highway Fund	School Aid Fund	Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
Fund balances:							
Nonspendable:							
Inventory	\$ 125,000	\$ 108,000	\$ 16,000	—	—	—	\$ 249,000
Permanent fund principal	—	—	—	—	—	\$ 164,000	164,000
Restricted for:							
Social 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:	525,000	—	—	—	—	—	525,000
Total fund balances	<u>\$ 1,746,000</u>	<u>\$ 390,000</u>	<u>\$ 192,000</u>	<u>\$ 512,000</u>	<u>\$ 1,448,000</u>	<u>\$ 554,000</u>	<u>\$4,842,000</u>

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.

GASB 54 Aggregate Exhibit

Will require significant footnote detail

	General Fund	Major Special Revenue Funds Highway Fund	School Aid Fund	Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
Fund balances:							
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	<u>\$ 1,746,000</u>	<u>\$ 390,000</u>	<u>\$ 192,000</u>	<u>\$ 512,000</u>	<u>\$ 1,448,000</u>	<u>\$ 554,000</u>	<u>\$ 4,842,000</u>

GASB 54 Fund Balance Reporting

Footnote disclosures

- If disclosure is aggregate on the face, then the detail must be in the notes
- Committed Balance – the highest level of decision making authority and the formal actions required
- Assigned Balance – the governing body or delegated official and policy to establish this authority
- Multiple balances exist – how are amounts identified to have been spent?

GASB 54 Fund Balance Reporting

Encumbrance confusion

- Encumbrances should not be shown as a separate “category” within the restricted, committed, or assigned categories; however, “individual encumbrances” may meet the test for separate identification by purpose.
- Significant encumbrances should be disclosed in the notes by major funds and nonmajor funds in aggregate with other significant commitments.

GASB 54 Fund Balance Reporting

Encumbrances at Year End

School bus (Board Reso 2010-24)	\$350
Food services (PO)	\$150
Curriculum development (PO)	<u>\$100</u>
Total encumbrances	\$600

GASB 54 Fund Balance Reporting

Pre-GASB 54 (Current Rules)

Fund balance:

Reserved – encumbrances	\$600
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Unreserved:

Designated	\$XXX
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Undesignated	\$XXX
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GASB 54 Fund Balance Reporting

Post-GASB 54

Fund balance:

Nonspendable – Inventory \$XXX

Restricted – Debt Service \$XXX

Committed – Encumbrance \$350

Assigned – Encumbrance \$250

Unassigned \$XXX

GASB 54 Fund Balance Reporting

GASB 54

Fund balance:

Nonspendable – Inventory

\$XXX

Restricted – Debt Service

\$XXX

Committed – School Bus

\$350

Assigned:

Food Service (or Equipment)

\$150

Instruction (or Contracts)

\$100

Unassigned

\$XXX



GASB 54 Fund Balance Reporting

Encumbrances

- Restricted?
 - ✓ Only if legal restriction (uncommon for encumbrance)
- Committed?
 - ✓ Only if approved action of school board (e.g. – formal vote to allocate funds to *project X*)
- Assigned?
 - ✓ Issuance of purchase orders approved through normal purchasing channels or other authority

GASB 54 Fund Balance Reporting

Stabilization policy?

- Restricted or Committed
 - ✓ Only if meets the restricted/committed criteria
 - ✓ Otherwise, unassigned
 - ✓ Should not be reported as “assigned”
- Stabilization amounts that can be accessed for use in undefined or routine circumstances should not be considered restricted or committed

GASB 54 Fund Balance Reporting

Stabilization policy?

- Restricted or Committed
 - ✓ Only if meets the restricted/committed criteria otherwise, unassigned
 - ✓ Should not be reported as “assigned”
- Stabilization amounts that can be accessed for use in undefined or routine circumstances should not be considered restricted or committed – *but should be disclosed in the footnotes*

GASB 54 Meets State of Alaska

AS 14.17.505

Fund Balance in School Operating Fund

- (a) A district may not accumulate in a fiscal year an unreserved portion of its year-end fund balance in its school operating fund, as defined by department regulations, that is greater than 10 percent of its expenditures for that fiscal year.

GASB 54 Meets State of Alaska

4 AAC 09.160 Fund Balance

(a) Eligible reserves in the year-end fund balance in a school's operating fund may only be in the following categories:

- (1) Encumbrances
- (2) Inventory
- (3) Prepaid expenses including fuel,
- (4) Retirement incentive program
- (5) Self-insurance
- (6) Federal impact aid received...

GASB 54 Fund Balance Reporting

GAAP

vs.

State Regulation

GASB 54 Fund Balance Reporting

Anticipated Requirements

- Basic Financial Statements will be presented on a GAAP basis. (e.g., following the provisions of GASB 54)
- State will require a “Regulatory Basis” Schedule to demonstrate compliance with AS 14.14.505.
- State Regulations will likely be amended to define “unreserved fund balance” *for this calculation* to remain effectively unchanged.

GASB 54 Fund Balance Reporting

Fund Type Definitions Clarified

General Fund

- The general fund should be used to account for and report all financial resources not accounted for and reported in another fund

Debt Service Fund

- Financial resources that are restricted, committed, or assigned to expenditures for principal and interest
- Used for resources that are legally mandated
- Can accumulate resources for future maturities

GASB 54 Fund Balance Reporting

Fund Type Definitions Clarified

Capital Projects Funds

- Restricted, committed, or assigned for capital outlays, the *acquisition* or *construction* of capital facilities and other capital assets

Permanent Fund

- Account for and report resources that are restricted so only earnings can be spent, not the principal, to support government programs

GASB 54 Fund Balance Reporting

Fund Type Definitions Clarified

Special Revenue Funds

- Specific revenues and the uses that are restricted or committed and not included in debt service or capital projects.
- Must have at least one *restricted or committed revenue source* which makes up a significant portion of the revenues.
- This definition is actually less restrictive than the current definition, but there is a lot of non-compliance with the current definition.

GASB 54 Fund Balance Reporting

Fund Type Definitions Clarified

Special Revenue Funds, continued

- No resources held in trust for individuals, private organizations, or other governments
- Discontinue reporting a special revenue fund if the sources of the restricted or committed resources are expected to disappear
- Remaining resources are moved to the general fund

GASB 54 Fund Balance Reporting

Effective Date

- Periods beginning after June 15, 2010 (YE 6/30/11)
- Apply fund balance reclassifications retrospectively by restating fund balance for all prior periods presented
- Statistical section may be made prospectively



Questions?

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