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# GASB 54

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## *Are you ready to implement GASB Statement No. 54?*

### **GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**

Many of you are aware of the upcoming implementation of GASB 54. The purpose of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications to be consistently applied and by clarifying the existing governmental fund type definitions. The definition for special revenue funds had the most significant change.

Although GASB 54 is not effective until financial statement periods beginning after June 15, 2010, your organization needs to plan ahead and determine how this statement will impact your upcoming financial reporting and budgeting processes.

Under GASB 54, fund balance classifications will be required to be reported based on a hierarchy that constraints on the resources are imposed. The new classifications of fund balance are:

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

### **Encumbrances**

Encumbering amounts for specific purposes for which resources have been restricted, committed or assigned should not result in separate display of encumbered amounts within those classifications. Encumbered amounts for specific purposes for which amounts have not been previously restricted should be classified as committed or assigned (as appropriate) based on the criteria for these classifications.

### **Financial Statement Presentation and Disclosures**

#### *Classifying Fund Balance Amounts*

Amounts may be classified on the face of the financial

statements in detail or a summary format. If the amounts are summarized on the face of the financial statements appropriate detail must be disclosed in the notes to the financial statements. Regardless of how the information is presented (detail or summary with appropriate footnote disclosure) it must include:

1. The amounts for the two components of nonspendable fund balance,
2. The amounts for restricted, committed and assigned fund balances and the identification of the major purposes within each category, and
3. Unassigned fund balance.

#### *Fund Balance Disclosure Requirements*

Governments should disclose the following about their fund balance classification policies and procedures in the notes to the financial statements. Such disclosures should include:

- The government's highest level of decision-making authority and the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment
- The body or official authorized to assign amounts to a specific purpose and the policy established by the governing body
- Whether the government considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and whether committed, assigned or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.
- Encumbrances, if significant, should be disclosed in conjunction with other disclosures of significant commitments.

## **Government Fund Type Definitions**

### *Special Revenue Funds*

The most significant change was to the special revenue fund type definition. GASB 54 defines that a special revenue fund may only be established around one or more revenue sources that are restricted or committed to purposes other than capital projects or debt service. The specific revenue sources, which should be a substantial portion of the fund's revenues, should be reported as restricted or committed. Additionally, the organization must disclose the purpose of each major special revenue fund and each revenue source or other resources.

### **What you can do prior to implementing GASB 54**

GASB 54 is effective for financial statement periods beginning after June 15, 2010. When implementing GASB 54 your government should apply the statement retroactively by restating fund balance for all prior periods presented. However, fund balance information included in the statistical section can be reported prospectively.

- Does your organization have a fund balance policy?  
The policy should address items such as the criteria for committed and assigned fund balances; the appropriate level of unrestricted fund balance to be maintained in the general fund; circumstances for which restricted, committed, assigned and unassigned amounts will be spent down; and a policy for replenishing deficiencies.

- Review the purposes and revenue sources of your special revenue funds; do your special revenue funds fall within the new special revenue fund type definition?
  - Contact your Eide Bailly audit team with any questions. We can provide you with additional resources, such as access to the Government Audit Quality Center website to view archived webcasts and other information relating to GASB 54.
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## **CONTACT**

If you would like a copy of GASB 54 or if you would like to see an example of how the fund balance may be presented, please give us a call or contact your Eide Bailly government representative today—866.672.4761.

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