

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

Effective with the FYE **6/30/2011**, governmental entities will need to implement *GASB Statement No. 54, Fund Balance, Reporting and Governmental Fund Type Definitions*. GASB 54 changes the terminology and definition of the fund balance descriptions and the criteria for the use of governmental fund types. The new standard applies to governmental funds such as the general fund, special revenues, capital projects and debt service. GASB 54 **does not apply to proprietary fund types** (enterprise or internal service funds). A summary of the new fund balance terminology compared with the old is as follows:

Old	New
1. Reserved for Prepaid Expenditures, Inventories, Encumbrances, Advances to Other Funds, etc.	Non-Spendable for: Prepaid Expenditures, Inventories, Encumbrances, Advances to Other Funds, etc.
2. Reserved for Grants, Projects, etc.	Restricted by law, creditors, or grantors.
3. Unreserved – Designations for projects.	Committed by governing body only.
4. Unreserved – Undesignated	Assigned by intent & can be redeployed by management, or governing body. Unassigned is the residual of the general fund only.

Non-Spendable cannot be used in cash, or is legally or contractually required. **Restricted** is imposed by law, creditors, grantors or other **external legal** restriction (CDBG, state street aid, solid waste and drug control funds, as examples). **Committed** is self-imposed legal limitation (the majority of the fund balances of special revenue, capital projects and debt service fund balances) by the governing board and cannot be used for any other purpose unless formal action is approved by the governing body. **Assigned** is limited to intent, but can be redeployed by management or governing body (this would replace the old internal designations of fund balances).

The new standard will require local governments to close and combine some special revenue funds into the general fund since **special revenue funds** will now be required to have a specific revenue source that is externally **restricted** by law, grantors, or creditors, or has been **committed** by the governing body. This will required governmental entities to re-evaluate the need for the number of special revenue funds for FY 2011.



The financial reporting for FY 2011 will require a modification to the Summary of Significant Accounting Policies to describe the new fund balance definitions. Since the adoption of GASB 54 is considered a change in accounting principle (ASC 250-10), then if the governmental entity closes, or combines some special revenue funds into the general fund, then a note disclosure will be required to describe the prior period adjustments (July 1, 2010) to the general fund balance and special revenue fund balance that were closed.

In addition, please see our PowerPoint presentation slides regarding the adoption of GASB Statement No. 54 at http://www.pughcompany.com/tools_resources/presentations_materials.aspx.

Please contact our office if you have any questions about GASB Statement No. 54 at 865-769-0660.



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