

MMTCTA GASB # 54

Overview



About RHR Smith & Company:

RHR does approx 125 of Maine's 500 Municipalities, 50 School Systems, 7 Counties and a multitude of other Quasi Governments (Wastewater & Water)



What is GASB

- ❑ The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. Established in 1984 by agreement of the Financial Accounting Foundation (FAF) and 10 national associations of state and local government officials, the GASB is recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments.
- ❑ It is not a Governmental Organization



GASB # 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

- ❑ The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.
- ❑ Only Applies to Governmental Funds

Effective Dates:

- Effective for financial statements for periods beginning after June 15, 2010
- So for June 30th year ends – June 30, 2011
- So for December 31st year ends December 31, 2011

- As always early implementation is encouraged.

Fund Balance Classifications – Current

- Reserved – Legal restrictions, not available for future appropriations.

- Unreserved
 - Designated – Specific intentions for future periods or principal intact.

 - Undesignated – Neither reserved nor designated

Fund Balance Classifications – GASB # 54

- ❑ ***Nonspendable*** - amounts that are not in a spendable form such as inventory or are required to be maintained intact such as principal of a trust, cemetery.
- ❑ ***Restricted*** – amounts that can be spent only for the specific purposes stipulated by external resource providers (grants), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use (TIF'S)). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Fund Balance Classifications – GASB # 54 (Continued)

- ❑ **Committed** - amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (warrant article, referendum vote, education appropriation). Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- ❑ **Assigned** - amounts *intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.*

Fund Balance Classifications – GASB # 54 (Continued)

- ***Unassigned*** - residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. **Positive unassigned amounts will be reported only in the general fund.**

Fund Definitions – Special Revenue

- ❑ **Current definition** - to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

- ❑ **GASB # 54 Definition** - to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Fund Definitions – Capital Projects

- ❑ **Current definition** - to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, Special Assessment Funds, and Trust Funds .)
- ❑ **GASB # 54 – Definition** - to account for and report financial resources that are restricted, committed, or assigned to expenditure *for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds* exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Fund Definitions – Debt Service Fund

- ❑ **Current definition** - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- ❑ **GASB #54 definition** - to account for and report financial resources that are ***restricted, committed, or assigned to*** expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service.

Fund Definitions – Permanent Funds

- to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

Encumbrances

- If you have encumbrance accounting, encumbrances will be reported either as:
- Committed (if encumbrances are approved by action of the highest decision making authority) (Board votes to allocate fund balance for a new fire truck)
- Assigned – Encumbrances resulting from the issuance of purchase orders as a result of normal purchasing activity approved by appropriate officials (This will be the most common classification of encumbrances)

Stabilization Arrangements

- ❑ Stabilization amounts should be reported in the general fund as restricted or committed if:
 - they meet the criteria set forth restricted or committed based on the source of the constraint on their use.(authority establishing & requirements)
- ❑ – Stabilization arrangements that do not meet the criteria to be reported within the restricted or committed should be reported as *unassigned in the* general fund.
- ❑ – A stabilization arrangement would satisfy the criteria to be reported as a separate special revenue fund only if the resources derived are from a specific restricted or committed revenue source.

Financial Statement Note Disclosures

Note Disclosures

- ❑ Description of authority and actions that lead to committed and assigned fund balance
- ❑ Government's policy regarding order of spending
- ❑ Restricted and unrestricted fund balance
- ❑ Committed, assigned, and unassigned
- ❑ Purpose of each major special revenue fund and which revenue sources are reported in each of those funds
- ❑ Encumbrances, if significant, are disclosed in conjunction with other disclosures of significant commitments
- ❑ Stabilization arrangements
- ❑ Authority of establishing
- ❑ Requirements for additions
- ❑ Conditions under which amounts may be used
- ❑ Stabilization balances, if not apparent on the face of the financial statements
- ❑ Minimum fund balance policies
- ❑ Details of fund balance classifications displayed in the aggregate

What's This All Mean:

- ❑ You really should have a "*Fund Balance Policy*"
- ❑ You really should have a "*Capital Policy*"
- ❑ You really should have a "*Capital Plan*"
- ❑ You really should have an "*Investment Policy*".

Questions & Answers:

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