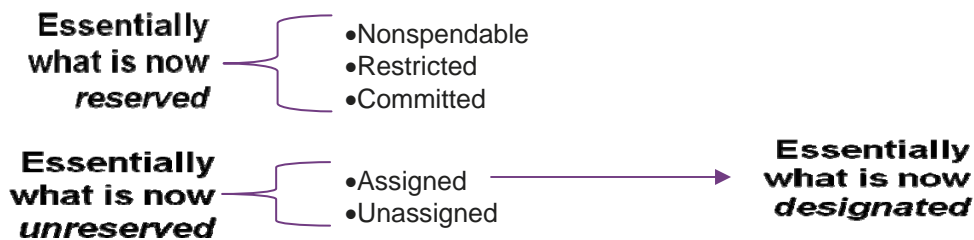


by Miller Edwards

Like a rolling stone, the Governmental Accounting Standards Board (GASB) continues to issue more and more pronouncements. Recently, 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.

Currently, we have fund balance terms such as reserved, unreserved and designated. Going forward under this new pronouncement we will have terms such as:



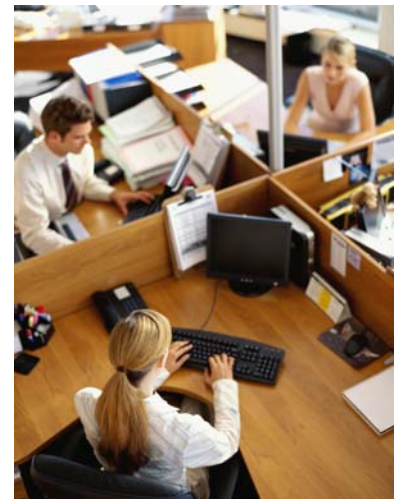
Nonspendable fund balance would include amounts associated with inventory, prepaids, long-term receivables, property held for sale and the corpus of a permanent fund. In essence, *nonspendable* is the fund balance term to indicate that the respective resources are not available to be spent in any way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

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 their lack of availability, or both.

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.

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.

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 the 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. (cont'd)





(cont'd from page 1) 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).

As you can see, financial reporting for governmental units continues to evolve and change with each and every GASB pronouncement. Along with the above financial statement elements, this new pronouncement 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?

Our Resources

As always, we are available as a resource to you as questions arise related to any and all GASB pronouncements. As GASB issues more pronouncements, and as the Federal government issues more opportunities and mandates, we will do our best to keep you informed.

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

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