

## GASB 54 - Note Disclosure Requirements

By: Meredith Lipson

In addition to significantly changing the reporting of fund balance in the balance sheets of governmental funds, Government Accounting Standards Board Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) also requires a number of additional note disclosures related to fund balance. These required disclosures include the following:

### Nonspendable Fund Balance

If non-spendable fund balance is displayed in the aggregate on the face of the balance sheet, amounts for the two non-spendable components (amounts not in spendable form, and amounts legally or contractually required to be maintained intact) should be disclosed in the notes to the financial statements.

### Restricted and Unrestricted Fund Balance

If restricted fund balance is displayed in the aggregate on the face of the balance sheet, specific purposes information should be disclosed in the notes to the financial statements.

Additionally, the footnotes should disclose (1) 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 (2) 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 these unrestricted fund balance classifications could be used.

### Committed Fund Balance

For committed fund balance the following information should be disclosed: (1) the government's highest level of decision-making authority; and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment. If committed fund balance is displayed in the aggregate on the face of the balance sheet, specific purposes information should be further disclosed in the notes to the financial statements.

300 Mulberry Street  
Suite 300  
Macon, GA 31201  
www.mjcpa.com  
478.464.8000  
800.277.0050

CERTIFIED PUBLIC ACCOUNTANTS, LLC  
**MAULDIN  
& JENKINS**

### Our Resources

As always, we are available as a resource to you as questions arise. We are in this together as both auditor and auditee will have to keep up with evolving and fluid guidance from the Federal and State governments.

Please contact any of our governmental partners and managers, at 1-800-277-0050 for assistance.

Miller Edwards	medwards@mjcpa.com
Meredith Lipson	mlipson@mjcpa.com
Joel Black	jblack@mjcpa.com
Wade Sansbury	wsansbury@mjcpa.com
Rick Hartley	rhartley@mjcpa.com
Adam Fraley	afraley@mjcpa.com
Doug Moses	dmoses@mjcpa.com
Brannon Medley	bmedley@mjcpa.com
Craig Moye	cmoye@mjcpa.com
Matt Hill	mhill@mjcpa.com
James Bence	jbence@mjcpa.com

Don't forget that actions to commit fund balance resources should occur prior to the end of the fiscal year, though the exact amount may be determined subsequently.

### **Assigned Fund Balance**

For assigned fund balance, the following information should be disclosed: (1) the body or official authorized to assign amounts to a specific purpose; and (2) the policy established by the governing body pursuant to which that authorization is given. If assigned fund balance is displayed in the aggregate on the face of the balance sheet, specific purposes information should be further disclosed in the notes to the financial statements.

### **Encumbrances**

Encumbrances should not be displayed as a separate classification of fund balance on the face of the balance sheet. For governments that use encumbrance accounting, significant encumbrances should be disclosed in the notes to the financial statements by major funds and non-major funds in the aggregate in conjunction with required disclosures about other significant commitments.

### **Stabilization Arrangement**

Governments that establish stabilization arrangements, even if an arrangement does not meet the criteria to be classified as restricted or committed, should disclose the following information: (1) the authority for establishing stabilization arrangements (for example by statute or ordinance); (2) the requirements for additions to the stabilization amount; (3) the conditions under which stabilization amounts may be spent; and (4) the stabilization balance if not apparent on the face of the financial statements.

### **Minimum Fund Balance Policies**

If a government has formally adopted a minimum fund balance policy, the government should describe in the notes to the financial statements the policy established by the government that sets forth the minimum amount, including the action taken in establishing it.

Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions of GASB 54. Therefore, the definitions of these fund types as disclosed in the Summary of Significant Accounting Policies section of the financial statements will need to be revised.

Remember, GASB 54 is effective for financial statements for the periods ending on or after June 30, 2011, so don't wait until the last minute to address the implications of this standard on your government.

Mauldin & Jenkins will be attending the following Governmental Conventions. Please stop by our booth if you are also planning to attend.

GMA Convention– June 25-26  
Savannah, GA Booth 826

GGFOA Convention– October 2-5  
Savannah, GA

GASBO Convention - November 8-10  
Augusta, GA



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