

Contryman Associates, P.C.
Audit Newsletter

GASB 54

The Governmental Accounting Standards Board of the Financial Accounting Foundation (GASB) has issued new standards for reporting fund balances. Governmental entities are required to implement Statement no. 54 for financial statements for periods beginning after June 15, 2010. Contryman audit professionals can help you understand and advise you on implementing the new requirements.

In its Statement no. 54, the GASB establishes a hierarchy based largely on the extent to which a government is bound to observe spending constraints that govern how it can use amounts reported in the governmental funds balance sheet. Statement no. 54 establishes classifications depicting the relative strength of the constraints that control how specific amounts can be spent, clarifying the definition of existing governmental fund types. The classifications are:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint
- Assigned fund balance – amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority
- Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund

Governments must determine if current special revenue funds meet the revised fund definitions and if resources would meet the definition of committed or assigned. They should establish a policy on the order in which unrestricted resources are to be used when any of these amounts are available for expenditure.

Click [here](#) to open the GASB's Fact Sheet about Fund Balance Reporting and Governmental Fund Type Definitions.