



Mary Taylor, CPA  
Auditor of State

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

Applied to OCBOA and Regulatory Basis  
Financial Statements

Presented by:

Jeffrey G. Wilcheck, CPA  
Chief Project Manager  
Local Government Services

**GASB Statement No. 54**

- Issued March 11, 2009
- Effective for periods beginning after June 15, 2010
  
- Villages and townships financial statements for the year ending December 31, 2011, completed in 2012, will incorporate these requirements.

---

---

---

---

---

---

---

---

**GASB Statement No. 54**

The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

---

---

---

---

---

---

---

---

**GASB Statement No. 54**

- New fund balance classifications are:
  - Non-spendable
  - Restricted
  - Committed
  - Assigned
  - Unassigned

---

---

---

---

---

---

---

---

**Non-Spendable Fund Balance**

- Legally or Contractually Required to be maintained. Examples include:
  - Principal of Permanent Funds
  - Unclaimed moneys fund
  - Cemetery Endowment
  
- This classification does not include reserve balance accounts/budget stabilization under Section 5705.13 and 5705.132, Revised Code

---

---

---

---

---

---

---

---

**Restricted Fund Balance**

Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
  
- Imposed by law through constitutional provisions (Charters) or enabling legislation.

---

---

---

---

---

---

---

---

**Restricted Fund Balance**

- *Enabling legislation*, authorizes a government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation.
  
- *Legal enforceability*, means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Legal enforcement exists upon receipt of resources.

---

---

---

---

---

---

---

---

### Restricted Fund Balance

**Example**

- A state government passes legislation that authorizes the raising of a gasoline tax and contains a legally enforceable restriction limiting the use of the revenues to street and highway projects. The legislation also requires the state to share a portion of the revenues with county governments.
- The state, assuming its constitution doesn't address gas taxes, would have a constraint imposed by enabling legislation. The county would have a constraint imposed by state law/laws of another government.

---

---

---

---

---

---

---

---

### Restricted Fund Balance

**Example**

- A state passes a law allowing local governments to pass an ordinance placing a special levy before the voters, the proceeds of which can only be used for recreation programs. The local government's voters approve the levy at a general election.
- The local government would have a constraint imposed by state law and voter approval. There is no enabling legislation for the local government.

---

---

---

---

---

---

---

---

### Restricted Fund Balance

**Example**

- City council passes legislation that places a proposition on the ballot to install parking meters in city-owned parking lots and utilize the proceeds only for repairing and maintaining those lots. The ballot proposition is approved by a majority vote at a public election.
- The source of the constraint is externally imposed by voter approval. There is no enabling legislation for the local government.

---

---

---

---

---

---

---

---

### Restricted Fund Balance

**Example**

- Village council passes an ordinance that enacts a \$1,000 fee per lot (impact fee) in a new subdivision to be used for the development of parks. There is no state statute that allows for this fee. The Village’s legal Counsel stated that “Home Rule” provides the authority to enact this fee.
- The source of the constraint is the enabling legislation.

---

---

---

---

---

---

---

---

### Restricted Fund Balance

Examples of Restricted Fund Balance include resources provided from:

- Voted property tax levy not for GF operations
- Permissive MVL fees
- Gas taxes and motor vehicle licenses fees
- Most grant proceeds
- Voted income tax levy for a specific purpose (see separate sheet for income tax discussion)

---

---

---

---

---

---

---

---

### Restricted Fund Balance

Income Tax Summary

Type of Income Tax	Source of Constraint	Type of Constraint	Classification	Fund Type
Up to 4 Percent without voter approval	Section 718.01, ORC	None	Unassigned	General
Up to 4 Percent for a specific purpose without voter approval	Section 718.01, ORC <i>Restriction must be part of the original ordinance</i>	Imposed through enabling legislation	Restricted	Special Revenue or Capital Projects
Voted tax, unrestricted	Section 718.01, ORC	None	Unassigned	General
Voted tax, specific purpose	Section 718.01(C), ORC	Externally imposed by Voters	Restricted	Special Revenue or Capital Projects
Voted or unvoted tax - Annual ordinance allocating tax	Section 718.01, ORC Ordinance No. _____	None Imposed by Ordinance	Unassigned Committed	General Special Revenue or Capital Projects

---

---

---

---

---

---

---

---

### Committed Fund Balance

- Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level - council or board of trustees - of decision-making authority
- Constraints are imposed by the government separate from the authorization to raise the revenue
- Committed resources/amounts are not considered to be legally enforceable as with restricted.
- Committed fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed (encumbered) for use in satisfying those contractual requirements.

---

---

---

---

---

---

---

---

### Committed Fund Balance

- Constraint can be removed or changed only by taking the same highest level action
- Action to constrain resources should occur prior to end of year, though the exact amount may be determined subsequently
- Ability to transfer resources by court order is not the same action of the governing body that created the constraint.

---

---

---

---

---

---

---

---

### Committed Fund Balance

Committed resources are generally unrestricted revenues authorized by state statute, ordinance, or resolution for which the government may commit the use of the revenue for a specific purpose. Examples of committed fund balance/resources include:

- Membership or entrance fees to a swimming pool to be used for swimming pool operations
- Recreation program fees to be used to recreation program expenses
- Cemetery charges for grave openings, burials, foundations, etc. To be used for cemetery operations.

---

---

---

---

---

---

---

---

### Committed Fund Balance

Court fines, forfeitures, and costs cannot be committed by governing board as those revenues are directed to specific funds or the general fund by State statute.

---

---

---

---

---

---

---

---

### Assigned Fund Balance

- Amounts intended to be used for specific purposes
- Intent is expressed by
  - Governing body, or
  - High-level body or individual authorized by the governing body (Service Director - Cemeteries)
- Lowest classification for all governmental funds, except general fund and funds with deficits
- Funds created under Section 5705.13(C), R.C.

---

---

---

---

---

---

---

---

### Unassigned Fund Balance

- Unassigned fund balance is the residual classification for the general fund
- General fund should be the only fund that reports a positive unassigned fund balance
- Negative fund balances in other governmental funds are report as negative unassigned fund balance

---

---

---

---

---

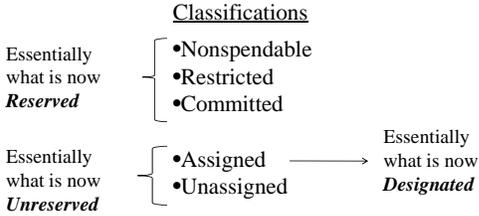
---

---

---

### New Fund Balance Classifications

The classifications which will appear on the Statement of Modified Cash Basis Assets and Fund Balance are:




---

---

---

---

---

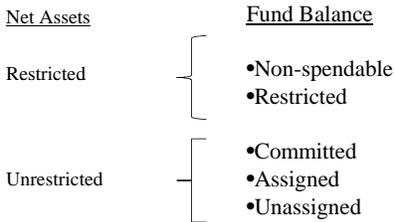
---

---

---

### Relationship of Net Assets to Fund Balance

Net assets reported on the statement of net assets modified cash basis




---

---

---

---

---

---

---

---

### Fund Definitions

**General Fund**

- NCGA Statement No. 1
  - General Fund - to account for all financial resources except those required to be accounted for in another fund.
- GASB Statement No. 54
  - General fund should be used to account for and report all financial resources not accounted for and reported in another fund.

---

---

---

---

---

---

---

---

### Fund Definitions

#### Special Revenue Funds

- NCGA Statement No. 1
  - To account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are *legally restricted* to expenditure for *specified purposes*.
- GASB Statement No. 54
  - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are *restricted or committed to expenditures* for specified purposes other than debt service or capital projects. *The term “proceeds of specific revenue sources” establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.*

---

---

---

---

---

---

---

---

### Fund Definitions

- Special revenue funds must have a specific restricted or committed revenue source which comprises a substantial portion of fund’s resources on an ongoing basis
  - Fund also may include other restricted, committed, and assigned resources
  - Discontinue reporting the fund as SR when the restricted or committed resource is not longer expected to be the substantial portion of the inflows to the fund.
    - Combine with general fund with the appropriate fund balance classification.

---

---

---

---

---

---

---

---

### Fund Definitions

#### Discussion Question

- Can there be more than one fund balance classification in a fund other than general fund?
  - For example:
    - Charges for services in SCM&R fund.
- Same question as above, but consider Section 5705.10(H), Revised Code, which states” Money paid into any fund shall be used only for the purposes for which such fund is established”.

---

---

---

---

---

---

---

---

### Fund Definitions

#### Debt Service Funds

- NCGA Statement No. 1
  - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- GASB Statement No. 54
  - Debt service funds are used 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 funds.

---

---

---

---

---

---

---

---

---

---

### Fund Definitions

#### Capital Projects Funds

- NCGA Statement No. 1
  - Capital Projects Funds - 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 Statement No. 54
  - Capital projects funds are used 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

#### Permanent Funds

- Permanent funds should be used 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.
  - Permanent funds should have be fund balances that are non-spendable and restricted.

---

---

---

---

---

---

---

---

---

---

### Budget 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.
- 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.

---

---

---

---

---

---

---

---

### Ohio's Local Government Budget Stabilization

- Authorized by Section 5705.13(A), Revised Code
- Budget reserve is created from the unencumbered fund balance – no specific revenue source
- Limit is 5 percent of the prior year revenue
- May exist in other operating funds
- Ohio's budget stabilization should be reported as unassigned fund balance in the general fund and NO budget stabilization should be reported in other funds.

---

---

---

---

---

---

---

---

### Encumbrances

- Encumbrances *should not* be displayed separately within the restricted, committed, and assigned categories
- Amounts are classified as restricted, committed, and assigned based on the source and strength of the constraints placed on them -- encumbering those amounts does not further affect them
- Encumbrances, if significant, should be disclosed in conjunction with other disclosures of significant commitments

---

---

---

---

---

---

---

---

### Note Disclosures

Governments should disclose the following about their fund balance classification policies and procedures:

- For *committed* fund balance:
  - the government's highest level of decision-making authority and
  - the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment
- For *assigned* fund balance:
  - the body or official authorized to assign amounts to a specific purpose and
  - the policy established by the governing body pursuant to which that authorization is given

---

---

---

---

---

---

---

---

### Note Disclosures

Government's policy regarding order of spending for:

- Restricted and unrestricted fund balance
  - Should be consistent with net asset policy
- Committed, assigned, and unassigned fund balance (new)
- Presentation in the notes of the detailed constraints within the classifications of fund balance

---

---

---

---

---

---

---

---

### Effective Date and Transition

- Periods beginning after June 15, 2010—earlier application is encouraged
  
- Fund balance classifications should be applied retroactively by restating fund balance for all prior periods presented

---

---

---

---

---

---

---

---

Income Tax Scenarios

Type of Income Tax	Source of Constraint	Type of Constraint	Classification	Fund Type
Up to 1 Percent without voter approval	Section 718.01, ORC	None	Unassigned	General
Up to 1 Percent for a specific purpose without voter approval	Section 718.01, ORC <i>Restriction must be part of the original ordinance</i>	Imposed through enabling legislation	Restricted	Special Revenue or Capital Projects
Voted tax, unrestricted	Section 718.01, ORC	None	Unassigned	General
Voted tax, specific purpose	Section 718.01(C), ORC	Externally imposed by Voters	Restricted	Special Revenue or Capital Projects
Voted or unvoted tax Annual ordinance allocating tax	Section 718.01, ORC Ordinance No. _____	None Imposed by Ordinance	Unassigned Committed	General Special Revenue or Capital Projects