

# KNUTTE & ASSOCIATES, P.C.

## IMPLEMENTATION OF GASB 54

### **IMPLEMENTATION OF GASB STATEMENT 54 (FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS)**

- Effective with fiscal years ending June 30, 2011, the Government Accounting Standards Board (GASB) is requiring implementation of GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions".
- Knutte & Associates, PC, will begin implementation of the new standard with any audits conducted in 2011 so that we can provide assistance for the client-portion of the standard, as well as receive recommendations on the implementation from review by the Government Finance Officers Association (GFOA).
- Most of the implementation will be done as part of the regular audit process. However, we will need to know if the board has made any previous designations of fund balances for any reason. Examples are: Earmarked amounts for Capital Projects, amounts to be transferred to other funds in the next fiscal year, among others. If so, the implementation of GASB 54 now requires that these commitments are made formally by resolution. Any prior decisions of this nature must be formally passed by resolution of the board before the end of your current fiscal year to be reflected in the next audit.
- We will also need to know if the board and/or management has made any informal designations of fund balances to be used for particular purposes. An example would be discussion regarding potential improvements or potential transfers to other funds. These amounts would be informational only; board action is not required for this classification to be reported on the audit.
- The biggest change in governmental fund type definitions relates to special revenue funds, with the focus on recreation-type funds that do not receive property tax revenue and are not classified as proprietary funds. Some districts have funds of this nature; under GASB 54, the activity in these funds will require reporting within the recreation fund. We can provide information for those parks affected.
- Finally, all governmental entities will need to disclose the fund balance policy they have in place, including order in which funds will be spent and minimum fund balance requirements. For districts that do not have formalized policies of this nature, policies can be determined and passed by ordinance. Or, the district can use the "default" spending order of fund balances as prescribed by GASB 54.

We are continuing our research on the practical application of GASB 54. If you have any questions about the implementation, you may contact your lead auditor or [lauried@knutte.com](mailto:lauried@knutte.com).

