



# GASB 84 & GASB 54

Presented by

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# Objectives

- Understand GASB 84 and prepare for implementation
- Refresher of GASB 54
  - Fund types
  - Fund balance classifications

# Fund Defined

A fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitation.

# Nature and Purpose of Fund Accounting

A governmental accounting system must make it possible both

(a) to present fairly and with full disclosure the funds and activities in compliance with GAAP

(b) To determine and demonstrate compliance with finance related legal and contractual provisions

# Fund Categories

## **Governmental Funds**

- Used to account for activities primarily supported by taxes, grants and similar revenue sources

## **Proprietary Funds**

- Used to account for activities that receive significant support from fees and charges

## **Fiduciary Funds**

- Used to account for resources that a government holds as agent or trustee for an outside party

# GASB 84 – Fiduciary Activities

- Establishes criteria for identifying and reporting fiduciary activities for all state and local governments
- Effective for periods beginning after December 15, 2018; calendar year 2019 and fiscal year 2020



# GASB 84 – Fiduciary Activities

- Types of Fiduciary Funds
  - Pension and OPEB Trust Funds
  - Investment Trust Funds
  - Private Purpose Trust Funds
  - Custodial Funds

# GASB 84 – Fiduciary Activities

- Custodial Funds
  - Replace Agency funds under current model
  - For activity not held in a trust
  - Significant changes from current reporting
    - Statement of Fiduciary Net Position – including assets, deferred outflows, liabilities, deferred inflows and net position
    - Statement of Changes in Fiduciary Net Position – additions and deductions to net position



# GASB 84 – Fiduciary Activities

- Key factors to determine if an activity should be classified as fiduciary fund
  - Control of the asset by the government:
    - The government holds the asset or has the ability to direct the use, exchange or employment of the asset to provide benefits to the specific or intended recipient
  - Beneficiaries with whom a fiduciary relationship exists
    - The assets are for the benefit of individuals and the government does not have an administrative or direct financial involvement with the assets

# GASB 84 – Fiduciary Activities

- Key factors to determine if an activity should be classified as fiduciary fund (continued)
  - Assets aren't derived from own source revenues
  - Assets aren't derived from government mandated or voluntary nonexchange transactions

# GASB 84 – Fiduciary Activities

- Considerations
  - There are a number of decision points (see GASB flowcharts on following slides)
  - Evaluate all current fiduciary activities
  - Also evaluate current governmental and business-type activity that may meet this definition
  - Consider any unrecorded activities that would now meet the definition and require reporting

**Chart 1—Flowchart for Evaluating and Reporting Potential Fiduciary Activities**

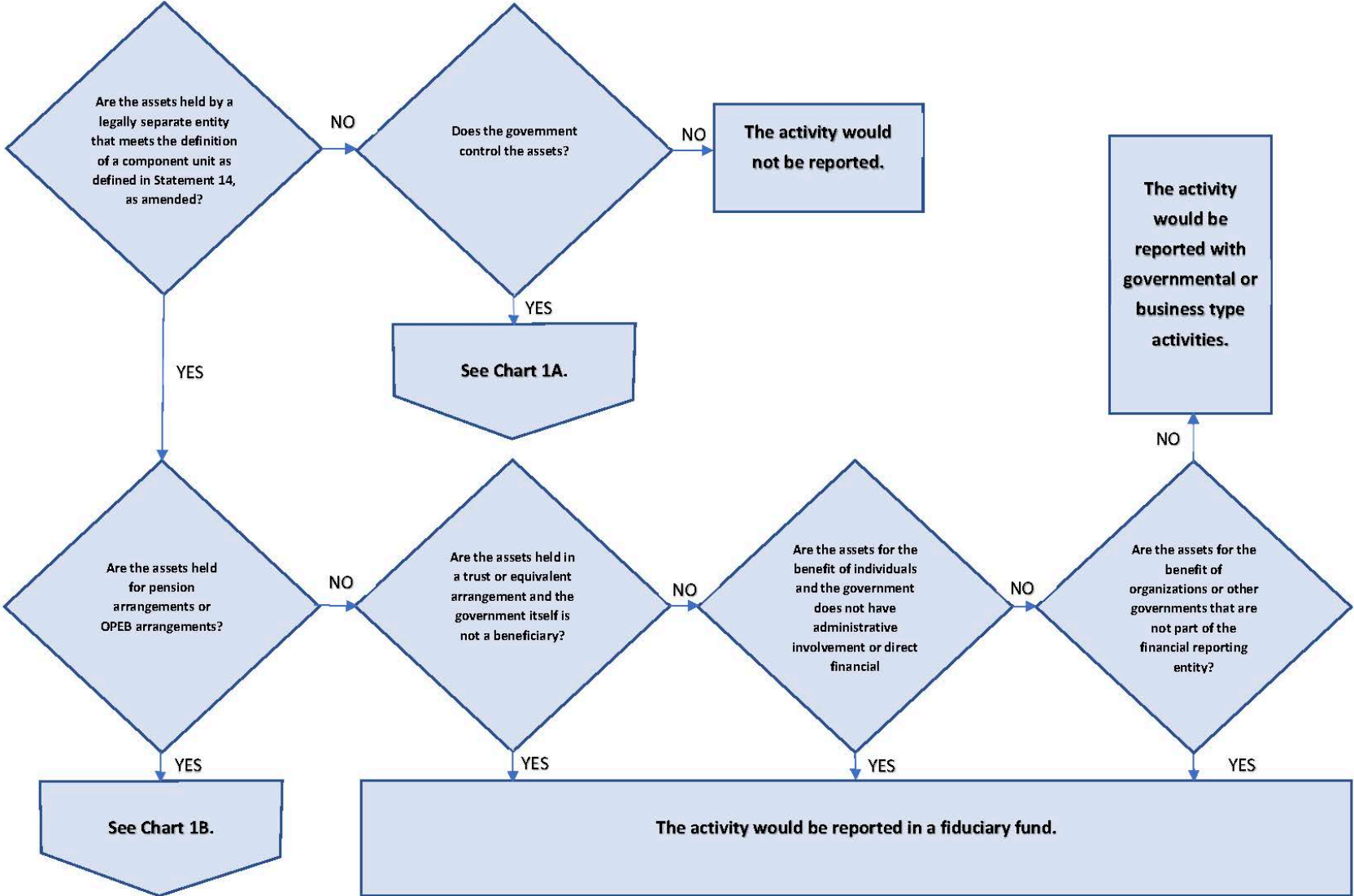
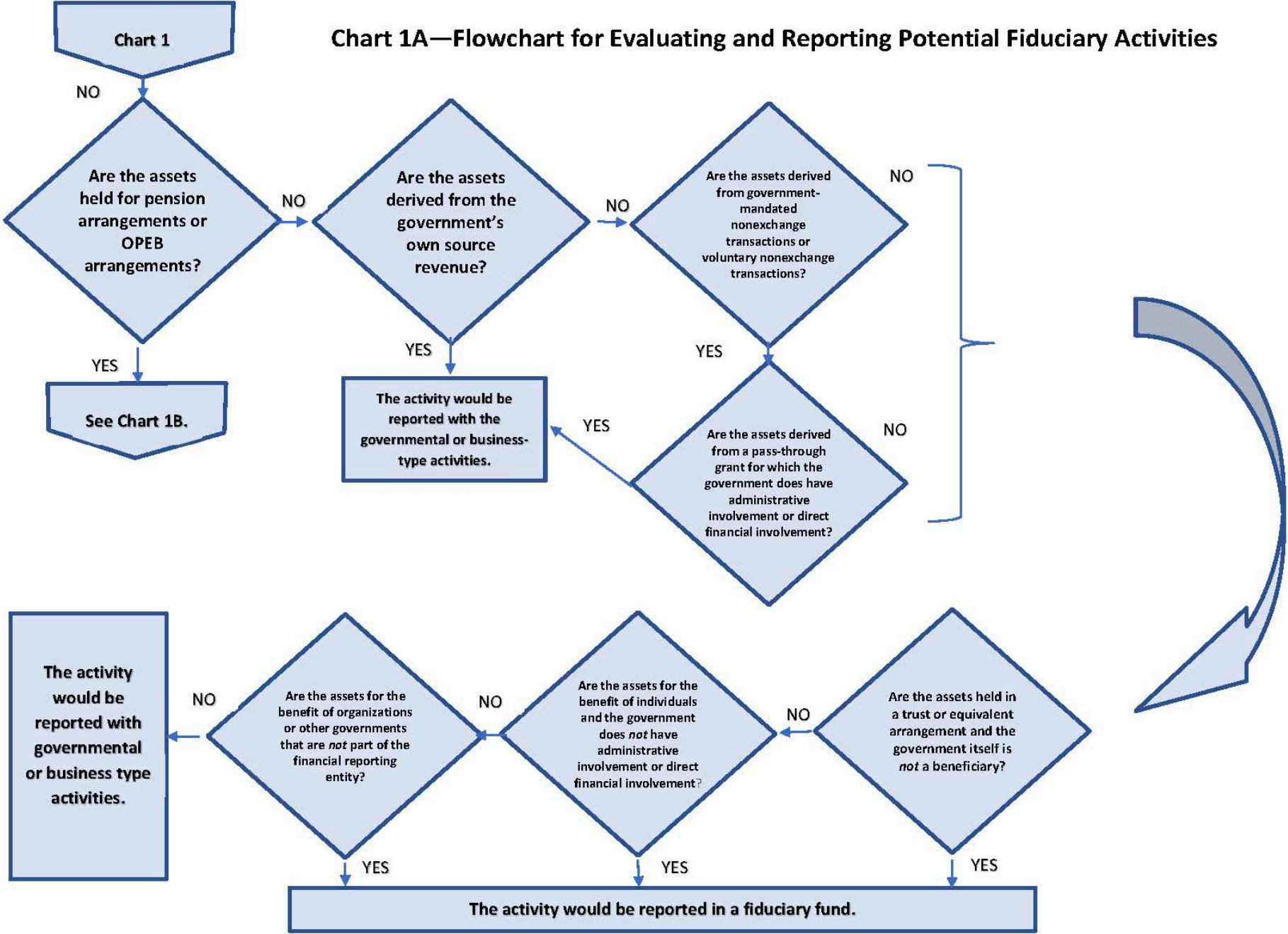
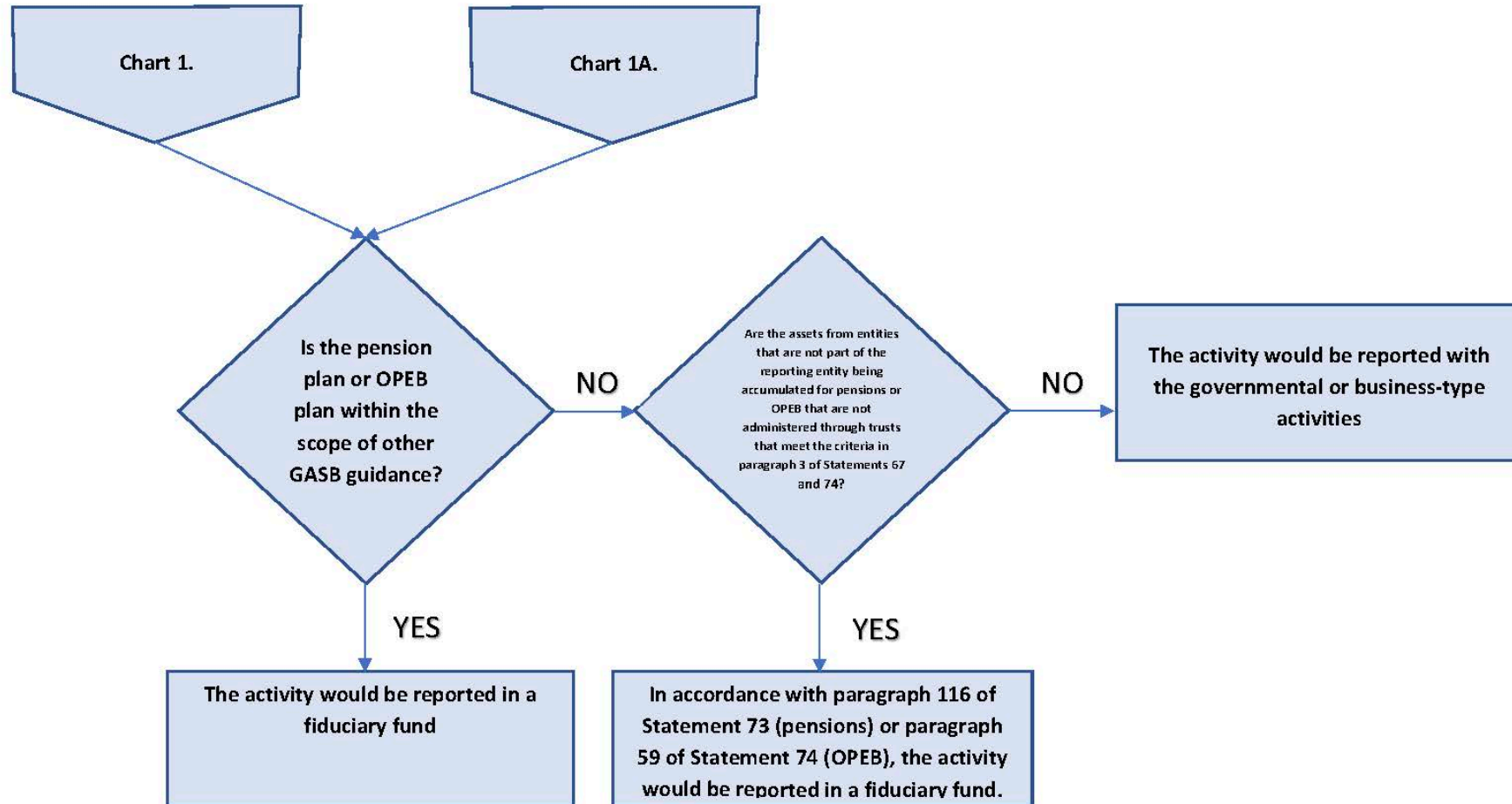


Chart 1A—Flowchart for Evaluating and Reporting Potential Fiduciary Activities



# Chart 1B—Flowchart for Evaluating and Reporting Potential Fiduciary Activities (Postemployment Benefit Arrangements)



# GASB 54 – Fund Balance Reporting and Governmental Fund Types

- Five Fund Balance Classifications
  - Nonspendable
  - Restricted
  - Committed
  - Assigned
  - Unassigned

## GASB 54 – FOCUS OF CLASSIFICATION

“The Extent To Which The Government Is Bound To Honor Constraints On The Specific Purposes For Which Amounts In Those Funds Can Be Spent”  
GASB 54, Paragraph 5



# Fund Balance Reporting

- **Nonspendable fund balance**

Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The not inspendable form includes items not expected to be converted to cash includes inventories and prepaids

# Fund Balance Reporting

- **Restricted fund balance**

Used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments (i.e. State Statute) or (b) imposed by law through constitutional provides (City Charter) or enabling legislation

# Fund Balance Reporting

- **Committed fund balance**

Includes amounts that can be used only for specific purposes to constraints imposed by formal action of the government's highest level of decision-making authority

- **Assigned fund balance**

Amounts constrained by government's intent to be used for specific purposes, but are neither restricted nor committed

# Fund Balance Reporting

- **Unassigned fund balance**

Residual Classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

In funds other than the general fund, the classification should only be used if a deficit balance exists. If deficit exists, there should not be amounts reported in other fund balance classifications

# Governmental Fund Types

- **General Fund**

Used to account for and report all financial resources not accounted for and reported in another fund



# Governmental Fund Types

- **Special Revenue Funds**

Used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The specific revenues sources should be the foundation for the special revenue fund.

# Governmental Fund Types

- **Capital Project Funds**

Used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition and construction of capital facilities and other capital assets.

Excludes capital projects financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments

# Governmental Fund Types

- **Debt Service Funds**

Used to account for and report financial resources that are restricted, committed and assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes).

Financial resources that are being accumulated for principal and interest maturing in future years should also be reported in debt service funds.



# GASB 54 Note Disclosures

- Disclosure of the purpose for each major special revenue fund and identify the foundation revenues in each fund and the source of restriction or commitment
- The information about the processes through which constraints are imposed on amounts in the committed and assigned classifications
- Whether the government considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes which both restricted and unrestricted fund balance is available

# GASB 54 Note Disclosures

- Whether committed, assigned or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which any of those unrestricted fund balance classifications could be used
- Significant encumbrances disclosure including amounts for each major fund and a separate total for all non-major funds
- If government has minimum fund balance policy - this should be included in the notes

# GASB 54 Note Disclosures

- Stabilization arrangements – even if they do not meet restricted or committed criteria should disclose:
  - The authority for establishing the stabilization arrangements
  - The requirements for additions to the stabilization amount
  - The conditions under which the stabilization may be spent
  - The stabilization balance, if not apparent on the face of the financial statements

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