

## Accounting Changes You Need to Know About

Presented by Ken Al-Imam, C.P.A.  
Shareholder

**MAYER HOFFMAN MCCANN P.C.**  
2301 Dupont Drive, Suite 200  
Irvine, California 92612  
(949) 474-2020, Ext. 273  
[kalimam@cbiz.com](mailto:kalimam@cbiz.com)

Auditors for 45 cities throughout California

## GASB Statement No. 54

- Changes fund balance reporting and fund type definitions
- Only affects **governmental** fund types
- Effective years ending June 30, 2011

2

## Impacts of GASB No. 54

- Only affects **annual** financial reports
- No changes required in your **budget**
- No changes required in your fund structure in your **general ledger accounting system**

3

## Current Practice for Special Revenue Funds

- Can use for resources designated by governing board for a specified use
- A practical way to isolate out of the general fund resources set aside for specific uses
- Rainy-day funds
- In essence, these were equivalent to reserves of general fund that were reported as separate funds

4

## New Rules for Special Revenue Funds

- A substantial portion of the inflows for that fund must come from a **specific revenue source**
- *Transfers* from general funds don't qualify
- The specific revenue source must be *either*:
  - Restricted (by debt agreements, other governments, etc.)
  - Committed by formal action of the governing board
- If revenue ceases, must report as part of general fund

5

## Fund Structure in Budget and General Ledger

- Can **still** report as separate funds in the *general ledger accounting system* those funds that may need to be **consolidated** for financial reporting purposes
- Also no changes are required in a government's **budget document** with respect to the fund structure used in that document

6

## Debt Service and Capital Project Fund Types

- Essentially no change
- **Can** include **assigned** funds (not just legally restricted funds)
- Capital project funds are now acknowledged to include resources to be used to acquire capital assets (such as equipment) **other than major capital facilities**
- Capital project and debt service funds are **not required** by **GAAP**
- Capital outlay activity and debt service activity can **also** occur in the general fund (or other governmental fund types)

7

## New Fund Balance Categories

- Nonexpendable
- Restricted
- Committed
- Assigned
- Unassigned

8

## Nonexpendable

- Not in spendable form
- Examples:
  - Inventories
  - Prepaid amounts
  - Long-term receivables
- Also includes permanently restricted funds (endowments)

9

## Restricted

- Externally restricted (by other governments, debt agreements, etc.)
- Or restricted by council action if at the time that the revenue source was approved by the governing board, a restricted **use** was *also* specified.

10

## Committed

- Formal action of the governing board limiting use to specific purposes
- Standard does not define formal action, but mentions as examples *resolutions* and *ordinances*
- Policy (disclosed in notes) can define which actions of the governing board considered to qualify as *formal actions*
- **Action** must take place *before* year end
- **Amount** can be determined *after* year end

11

## Assigned

- Intended or planned use
- Assigned by governing board (or other person(s) to whom this authority has been delegated)
- For governmental funds other than general funds, all remaining (other than restricted or committed) equity should be reported as *assigned* (for the purposes of that fund)

12

## Unassigned

- Used primarily for **General Fund**
- Residual classification—all that is left in the General Fund
- Other funds—only use *unassigned* for **negative** uncommitted balances

13

## GASB Exposure Draft on Chapter 9 Bankruptcies

- Applies to local governments that have filed for **Chapter 9 bankruptcy**
- Requires the local government to remeasure its liabilities in accordance with approved *Plan of Adjustment*

14

## Other New Pronouncements

- GASB No. 51 (effective years ending June 30, 2010)—requires capitalizing **intangible assets**, such as computer software
- GASB No. 53 (effective years ending June 30, 2010)—requires reporting as an asset or a liability the fair value of **derivative instruments**, such as interest rate swap agreements.

15