

**Memorandum**  
**County Executive Office / Office of the Auditor-Controller**  
**County of Placer**

**TO:** Honorable Board of Supervisors

**FROM:** Thomas M. Miller, County Executive Officer  
Katherine J. Martinis, Auditor-Controller

**DATE:** June 7, 2011

**SUBJECT:** Financial Reporting of Fund Balance

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**ACTION REQUESTED**

It is requested that the Board of Supervisors:

1. Receive an information report on Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
2. Authorize the Auditor-Controller and County Executive Officer to evaluate existing fund balance classifications (designations, reserves and unreserved/undesignated) and reclassify them for financial reporting purposes in accordance with GASB 54 for implementation effective the fiscal year ending June 30, 2011.

**BACKGROUND**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement is effective for financial statements with periods beginning after June 15, 2010. The objective of this Statement is to improve the usefulness and the understandability of governmental fund balance information. The Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The Statement impacts all governmental fund types.

Currently the fund balance in the General Fund is divided into three basic classifications for accounting and tracking purposes: designations, reserves and unreserved/undesignated. Unreserved/undesignated fund balance is the official title for what is typically described as "fund balance" in our budget reports and discussions and is available for those uses the Board of Supervisors deems necessary. Reserves are legally restricted funds established for a future specific use and are not available for general appropriation. Designations have been set-aside by the Board for a specific purpose.

Effective fiscal year beginning July 1, 2010, the above classifications will now be reported in five new categories: Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance and Unassigned Fund Balance as follows:

**Nonspendable Fund Balance** – amounts that cannot be spent because they are a) not in spendable form or b) legally or contractually required to be maintained intact. Examples include inventories, prepaid items and advances to other funds.

**Restricted Fund Balance** – amounts that are restricted by external parties i.e. creditors, grantors, contributors or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation. Examples include grants, bond proceeds, impact fees and park dedication fees.

**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 of decision making authority. The formal action must occur prior to the end of the reporting period. The amount, which will be subject to the constraint, may be determined in the subsequent period. Examples include general reserve and capital asset acquisition/replacement.

**Assigned Fund Balance** – amounts constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. The intent can be expressed by a) the governing body itself or b) a body or official to which the governing body has delegated the authority. Assigned fund balance can be used to eliminate the projected budgetary deficit in the subsequent year's budget.

**Unassigned Fund Balance** – amount available in the General Fund. The total fund balance less nonspendable, restricted, committed or assigned equals unassigned fund balance. The General Fund is the only fund that should report a positive unassigned fund balance amount. A negative unassigned fund balance is possible in other governmental funds.

### **FISCAL IMPACT**

These actions have no fiscal impact to the County.