



City of Rochelle Administrative Services

Memo

To: David Plyman, City Manager
From: Chris Frye, Finance Manager
Date: March 14, 2012
Re: GASB 54 Implementation

The Government Accounting Standards Board (GASB) has issued Statement number 54 to modify fund balance reporting and clarify fund type definitions. In order to be in compliance, the City of Rochelle will need to approve a new fund balance policy by 4/30/12 and issue its FY 2012 financial statements for all governmental funds in accordance with GASB 54. The major wording changes are as follows (note that the dollar value of the fund balance will not change).

Current terminology for fund balance:

1. Restricted – amounts that are earmarked for a specific purpose
2. Unrestricted – amounts that are expendable and available

New terminology for fund balance:

1. Nonspendable – amounts that cannot be spent due to form such as prepaid items and inventory; also amounts that must be legally maintained intact such as endowments or permanent funds
2. Restricted – amounts subject to externally enforceable legal restrictions (i.e. property tax levy) or through enabling legislation (i.e. utility tax, infrastructure sales tax)
3. Committed – amounts subject to a limitation the City imposes on itself through formal action of City Council (i.e. ambulance fund)
4. Assigned – the remaining positive balance in all governmental funds except for the General Fund after allocation to nonspendable, restricted, and committed; for the General Fund amounts intended to be used for a specific purpose as defined by the City Manager and Finance Manager
5. Unassigned – for the General Fund only, the positive balance that remains after allocation to nonspendable, restricted, committed, and assigned