

**GOVERNMENTAL FUND BALANCE POLICY**  
**Per Government Accounting Standards Board (GASB) 54 - 2011**

**Policy**

This Governmental Fund Balance Policy establishes the accounting and financial reporting standards for all governments that reports governmental funds as directed by the Government Accounting Standards Board Statement 54.

***Government Accounting Standards Board (GASB) Statement 54***

In February 2009, the Government Accounting Standards Board published Statement No. 54, which established accounting and financial reporting standards for all governments that report governmental funds. This statement divides the fund balance into five classifications:

1. Nonspendable Fund Balance includes amounts that cannot be spent because they are either (1) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, e.g., inventories and prepaid amounts.
2. Restricted Fund Balance includes amounts that have constraints that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislations.
3. Committed Fund Balance includes 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.
4. Assigned Fund Balance includes amounts that are constrained by the government’s “intent” to be used for specific purposes, but are neither restricted nor committed except for stabilization arrangements. Intent should be expressed by (1) the governing body itself or (2) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

5. Unassigned Fund Balance is the residual classification for the general fund. This classification represents the 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 other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

In addition to the new five fund balance classifications, GASB 54 also makes clear the definition of special revenue – for financial reporting purposes, a special revenue fund may only be established around one or more revenue sources that are restricted or committed to purposes other than capital projects or debt service.