

Implementing GASB Statement No. 54

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Financial Services Director

City of Boca Raton, Florida

GASB Statement 54

- The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.
- Fund balance refers to the difference between assets and liabilities in the governmental funds balance sheet. This information is one of the most widely used elements of state and local government financial statements.
- Financial statement users examine fund balance information to identify the available liquid resources that can be used to repay long-term debt, reduce property taxes, add new governmental programs, expand existing ones, or enhance the financial position of the government.

GASB Statement 54

How Will Fund Balance Be Reported?

- This Statement is designed to improve financial reporting by establishing fund balance classifications that are easier to understand and apply.
- It establishes a hierarchy based largely on the extent to which a government is bound to observe spending constraints that govern how it can use amounts reported in the governmental funds balance sheet.
- Statement 54 establishes the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

GASB Statement 54

- **Non-spendable fund balance**

- Amounts that are not in a spendable form (for example, inventory, long-term portion of loans and notes receivable and property acquired for resale) or are required to be maintained intact (the principal of an endowment fund, for example).

- **Restricted fund balance**

- Amounts that can be spent only for the specific purposes stipulated by external resource providers (i.e. grant providers), constitutionally, or through enabling legislation (legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

GASB Statement 54

- **Committed fund balance**

- Amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (i.e. the governing body). Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
 - The formal action that commits fund balance to a specific purpose should occur prior to the end of the reporting period, but the amount, if any, which will be subject to the constraint, may be determined in the subsequent period.

GASB Statement 54

- **Assigned fund balance** comprises amounts intended to be used by the government for specific purposes:
 - Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority (the authority for making an assignment is not required to be the government's highest level of decision-making authority).
 - Assigned fund balance in governmental funds other than the general fund indicates that the government has assigned those amounts to be used for the purpose of that respective fund.
 - Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the government itself.
 - Governments should not report an assignment for an amount to a specific purpose if the assignment would result in a deficit in unassigned fund balance.

GASB Statement 54

- **Unassigned fund balance** is the residual classification for the general fund and includes all amounts not contained in the other classifications.
 - Unassigned amounts are technically available for any purpose.
 - If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund.
 - Only positive unassigned amounts will be reported in the general fund

GASB Statement 54

How Have the Fund Type Definitions Been Clarified?

- The Statement improves the usefulness of fund balance information by clarifying certain parts of the definitions of governmental fund types that might have led to confusion.
- No change to the general fund
- It makes clear, for example, that special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in the fund.

GASB Statement 54

How Have the Fund Type Definitions Been Clarified?

- Debt service funds -used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.
- Capital projects funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

GASB Statement 54

“Rainy-Day” Funds

- Amounts constrained to stabilization are to be reported as restricted or committed fund balance in the general fund if they meet the criteria for those classifications.
- Stabilization arrangements that do not meet the criteria to be reported within the restricted or committed fund balance classifications should be reported as *unassigned* in the general fund.
- Governments are required to disclose in the notes key information about their stabilization arrangements, including:
 - the authority by which they were established,
 - provisions for additions to the stabilization amount, and
 - circumstances under which those amounts may be spent.

GASB Statement 54

“Other Note Disclosures

- Governments are to disclose their accounting policies that indicate the order in which restricted, committed, assigned, and unassigned amounts are spent. (Governments already are required to make similar disclosures regarding restricted and unrestricted net assets).
- In addition, governments are required to describe the processes through which they commit and assign fund balance amounts.
- If a governing body has formally adopted a minimum fund balance policy the government should describe in the notes to its financial statements the policy established.
- Governments also are required to disclose the purpose for each major special revenue fund—identifying which specific revenues and other resources are authorized to be reported in each.

GASB Statement 54

Effective Date and Transition

- The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. (effective for September 30, 2011 fiscal year ends)
- Fund balance reclassifications should be applied retroactively by restating fund balance for all prior periods presented in the financial statements.
- Changes to the fund balance information presented for prior years in the statistical section are not required, although retroactive application is encouraged.
- Early implementation of Statement No. 54 is encouraged.

GASB Statement 54

Analysis of Governmental Funds

- Type and purpose of the governmental fund
 - Is there a separate revenue stream or is the funding strictly by transfers from the general fund?
 - Should the fund be collapsed into the general fund for financial reporting purposes?
- Determine the spending constraint placed on the fund balance classifications
 - External
 - Internal

GASB Statement 54

Common Deficiencies

- Encumbrances on the face of the financial statement
- Encumbrances not disclosed in the notes
- Use of “Unassigned” fund balance classifications in funds other than the general fund prior periods presented in the financial statements.
- Minimum fund balance policy not disclosed in notes.



City of Boca Raton, Florida Fund Balance Policy

PURPOSE

- The City hereby establishes and will maintain reservations of Fund Balance as defined herein in accordance with Governmental Accounting and Financial Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This Policy shall apply to the City's General Fund and all governmental funds. Fund Balance shall be composed of restricted, committed, assigned, non-spendable and unassigned amounts.
- Fund Balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing ones or enhance the financial position of the City in accordance with policies established by the City Council.



City of Boca Raton, Florida Fund Balance Policy

Definitions

- **Fund Balance** refers to the difference between assets and fund liabilities in the governmental funds balance sheet and is referred to as fund equity.
- **Restricted Fund Balance** – Amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- **Committed Fund Balance** – -Amounts that can be used only for the specific purposes determined by a formal action of the City Council the City's highest level of decision making authority. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint.



City of Boca Raton, Florida Fund Balance Policy

Definitions

- **Assigned Fund Balance** – Amounts that the City intends to use for a specific purpose the intent shall be expressed by management.
- **Non-Spendable Fund Balance** – Amounts that are not in a spendable form such as inventory or are required to be maintained intact principal of an endowment fund
- **Unassigned Fund Balance** – The residual classification for the general fund and includes amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance which is not obligated or specifically designated and is available for any purpose.



City of Boca Raton, Florida Fund Balance Policy

Reservations of Fund Balance

1. Restricted Fund Balance General Fund

There are no restricted fund balance reserves in the General Fund.

2. Committed Fund Balance General Fund

The City Council hereby establishes the following committed fund balance reserves in the General Fund

a. Emergency Operating Reserve

The emergency operating fund balance reserve is committed by the City Council as set forth in the annual budget and any amendments thereto to ensure the maintenance of services to the public during emergency situations.



City of Boca Raton, Florida

Fund Balance Policy

Reservations of Fund Balance

2. Committed Fund Balance General Fund

b. Pension Plans and Preservation of Benefits Plan Reserve

The pension plans and preservation of benefits plan fund balance reserve is committed by the City Council as set forth in the annual budget and any amendments thereto to stabilize the fiscal impact of the City's required annual contributions to the pension plans as determined actuarially to fund future pension plan deficits if any and to fund future liabilities if any for supplemental retirement benefits.

c. Mizner Park Debt Service Reserve

The Mizner Park debt service fund balance reserve is committed by the City Council as set forth in the annual budget and any amendments thereto to provide funds for the repayment of the Boca Raton Community Redevelopment Agency CRA tax increment revenue bonds if the primary and secondary pledged revenues are insufficient to fund the required debt service payments on the outstanding bonds.



City of Boca Raton, Florida

Fund Balance Policy

Reservations of Fund Balance

3. Assigned Fund Balance General Fund

The City hereby establishes the following assigned fund balance reserve in the General Fund

a. Designated Carry Forward

The designated carry forward fund balance reserve is assigned by the City as set forth in the annual budget and any amendments thereto to provide funds for differences if any between budgeted revenues and expenditures.



City of Boca Raton, Florida Fund Balance Policy

Reservations of Fund Balance

4. Non-Spendable Fund Balance General Fund

The City hereby establishes the following non-spendable fund balance reserve in the General Fund

a. Inventory Reserve

The inventory fund balance reserve is established to indicate those amounts relating to inventories that are not in a spendable form.



City of Boca Raton, Florida Fund Balance Policy

Minimum Level of Unassigned Fund Balance

- The unassigned fund balance of the General fund at each fiscal year end shall not be less than 10 of the following year s projected budgeted expenditures. In any fiscal year where the City is unable to maintain this 10 minimum reservation of fund balance as required in this section the City shall not budget any amounts of unassigned fund balance for the purpose of balancing the budget.



City of Boca Raton, Florida Fund Balance Policy

Disbursement of Fund Balance Reserves

- Disbursements of funds within the fund balance reserves shall be authorized by an ordinance of the City Council and may be approved by inclusion in the approved annual budget and amendments thereto or shall be authorized pursuant to any ordinances or procedures adopted by the City Council such as the City's procurement code.



City of Boca Raton, Florida Fund Balance Policy

Annual Review and Determination of Fund Balance Reserve Amounts

- Compliance with the provisions of this policy shall be reviewed as apart of the annual budget adoption process and the amounts of restricted, committed, assigned, non-spendable and the minimum level of unassigned fund balance shall be determined during this process.

Westlake, OH Example: Ten Steps for GASB 54 Implementation

By: Anne A. Fritz

10 Steps for GASB 54 Implementation

1) Assemble team

- Internal
- External
 - State of Ohio Auditors' Office assistance (Local Government Services)
 - State of Ohio Auditor's Office

10 Steps for GASB 54 Implementation

2) Review of all funds and fund definitions

- Local Ordinances creating funds
- State statute creating funds
- Change any funds as required

10 Steps for GASB 54 Implementation

- 3) Financial policies review
- 4) Enabling legislation search
- 5) Creating conversion template

10 Steps for GASB 54 Implementation

6) Determining which balances
are...

- Nonspendable
- Restricted
- Committed
- Assigned

Worksheet Approach

City of Westlake
GASB 54 - Fund Classifications

filename: city

Prior Fund Type	Prior GAAP Fund #	City's Fund #	Fund Name	Revenue Sources	Sources of Constraints/ Purpose/Restriction	Type of Constraint	LGS' Classification
General	1101	100	General				Unassigned
General	1101	110	Safety Town	Charges for services	Segregation of revenues	None	Assigned
General	1101	120	Equipment Replacement	Annual depreciation charges		Ordinance establishes intent of the fund--not the funding source	Assigned
General	1101	130	Cable TV	Franchise Fees	Chapter 921, Codified Ordinance	The Finance Director has indicated that an ordinance will be passed regarding this fund--if no ordinance is passed this will be unassigned.	Assigned/ Unassigned
General	1101	790	Unclaimed Monies Fund	Various unclaimed funds	Chapter 9.39 ORC	Restricted by State Statute	Restricted
Spec Rev	2241	241	Swimming Pool Operations	Charges for Services	Fees for use of pool, fees established by City	City intends to use for specific purpose	Assigned
Spec Rev	2243	243	Senior/Community Services	Charges for Services	Fees from Senior Activities/Bingo	City intends to use for specific purposes	Assigned
Spec Rev	2250	250	Cemetery Operations	Charges for Services	Codified Ordinance 947.02(a)	Imposed by Codified Ordinance	Assigned
Spec Rev	2295	295	Reserve for Compensated Absences	Transfers	Money was transferred from other funds	City intends to use for specific purpose	Assigned
Spec Rev	2200	200	Street Maintenance (SCMR)	Intergovernmental - Gas Tax - Motor Vehicle License Fees	Section 5728.06 and Chapter 5735, ORC Chapter 4503, ORC	Externally Imposed by State Statute	Restricted
Spec Rev	2210	210	State Highway	Intergovernmental - Gas Tax - Motor Vehicle License Fees	Section 5728.06 and Chapter 5735, ORC Chapter 4503, ORC	Externally Imposed by State Statute	Restricted
Spec Rev	2220	220	Permissive Motor Vehicle License	Intergovernmental - Permissive MVL	Chapter 4504, ORC	Externally Imposed by State Statute	Restricted
Spec Rev	2230	230	Police Pension	3/10 mill Property Taxes	City Charter Article VI, Section 1 Section 5705.06(G) and 742.33, ORC	Externally Imposed by State Statute	Restricted
Spec Rev	2231	231	Fire Pension	3/10 mill Property Taxes	City Charter Article VI, Section 1 Section 5705.06(G) and 742.33, ORC	Externally Imposed by State Statute	Restricted
Spec Rev	2232	232	Police & Fire Operating	Property Taxes	.9 Voted Millage; City Charter, Article VI, Section 4,	Imposed by City Charter (& Voters)	Restricted
Spec Rev	2233	233	Law Enforcement Trust	Fines and Forfeitures	Section 2933, ORC, Technical Bulletin 88-18	Externally Imposed by State Statute	Restricted
Spec Rev	2234	234	Mandatory Drug Fines	Fines and Forfeitures	Section 2925.03, ORC, Technical Bulletin 86-16	Externally Imposed by State Statute	Restricted
Spec Rev	2235	235	Alcohol Education	Fines and Forfeitures	Chapter 340.07 & 340.09, ORC	Externally Imposed by State Statute	Restricted
Spec Rev	2236	236	Juvenile Diversion	Fines and Forfeitures	Section 5139.41, ORC	Externally Imposed by State Statute	Restricted
Spec Rev	2237	237	Federal Equitable	Fines and Forfeitures	US Treasury & Justice Departments	Externally Imposed by Federal Law	Restricted
Spec Rev	2238	238	FEMA	Intergovernmental	Chapter 131.35, ORC	Externally Imposed by State Statute/grant received	Restricted
Spec Rev	2242	242	Recreation Fund	Charges for Services 1/8% Income Taxes	Fees from use of Recreation Center Chapter 718, ORC & Westlake Admin 093	By City Ordinance for payment of expenses for operation and maintenance of Rec Center	Committed Restricted
Spec Rev	2245	245	Emergency Medical Services	Charges for Services	Chapter 957.02, City Charter	Enabling Legislation	Restricted
Spec Rev	2251	251	Cemetery Investment	Charges for Services	Codified Ordinances 947.02(b); 759.12, 15, ORC	Imposed by State statute	Non-spendat

10 Steps for GASB 54 Implementation

7) Encumbrances

- *No longer separately identified on the balance sheet*
- *Reduce respective fund balance category*

10 Steps for GASB 54 Implementation

8) Financial statement
preparation

– *Balance Sheet
presentation*

10 Steps for GASB 54 Implementation

9) Note disclosures

- GASB 54 Implementation changes (if any) due to change(s) in funds**
- Fund Balance policies**
- Fund Balances Table**

10 Steps for GASB 54 Implementation

10) Changes to MD&A

- Updating discussion on fund balances
- Explanation of new definitions

Challenges

- New definitions
- Lack of documentation
- Other challenges

Results

- Linking financial policies to the financial statements
- Helping readers better understand – avoid use of “surplus”
- Improving “accountability” and “comparability”

Thank you to the Westlake GASB 54 Team

- Staff members
 - Anne Fritz, Director
 - Bonnie Freeh, Assistant Director
 - Terrie Kneisel, Accountant
- AOS LGS members
 - Unice Smith, Chief of LGS
 - Jeff Wilcheck, Chief Project Manager
 - Cadillac Gard, Project Manager
 - Tisha Ann Turner, Assistant Chief Project Manager
 - Angela Raines, Project Accountant 2
- State of Ohio Auditor's Office

Implementing the New Fund Balance

Brian Mayhew

Chief Financial Officer

Metropolitan Transportation
Commission

Introduction

- About the MTC
 - What Is the MTC Region?
 - What does MTC do?
 - What does BATA do?
 - MTC Funding Sources
- Adopting GASB Statement 54
 - Exposure Draft
 - Adoption of the Statement
 - Implementation
 - Impact of the Standard
 - Effect on Operations
 - Implementation Tips

ABOUT the MTC

What is the MTC Region?

- 9 San Francisco Bay Area Counties**
- 7.4 Million People, almost 4 Million Jobs**
- 101 Municipalities**
- 4.5 Million Cars**
- 1,400 Miles of Freeways and Highways**
- 340 Miles of Carpool Lanes**
- 19,600 Miles of Local Streets and Roads**
- 23 Public Transit Operators**
- 4,300 Transit Vehicles**
- 9,000 Miles of Transit Routes**



What does MTC do?

- Planning
- Funding
- Coordination
- Advocacy

SAFE



Service Authority
for Freeways and
Expressways

Operations



- TransLink®
- 511 Travelers Info
- Traffic Operating Center

BATA



ETC Operating Center

What does BATA do?

- 1998
 - BATA was created to manage the voter approved base toll and \$1.2b construction program
- 2004
 - BATA was expanded by the voters to manage a second toll dollar and additional \$1.5b transit capital funding program
- 2005
 - State Legislature puts BATA in charge of all tolls and the \$8.6b seismic program

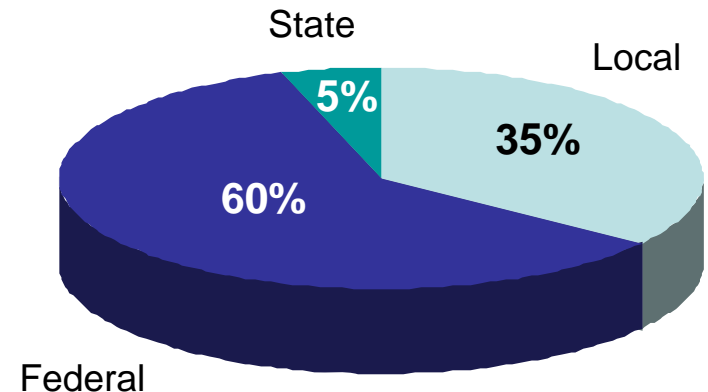


MTC Funding Sources

- MTC allocated and administered almost \$2.5 billion in federal, state, and local funds in FY 2010.

(\$ in Millions)

State	120
Federal	
• FTA, STP, CMAQ, TE	517
• ARRA	930
Local	
• TDA	237
• BATA Bridge Tolls	480
• Rail/Transportation Reserves	121
• SAFE	12



ADOPTING GASB 54

Exposure Draft

- Exposure Draft
 - Issued on February 29, 2008.
 - Comment Deadline on June 30, 2008.
- Field Test Participation
 - Field Test participation started in April, 2008.
 - MTC Reconstituted FY 2006–2007 Governmental Funds Balance Sheet.
 - Field Test was completed on June 6, 2008.
- GASB Approval
 - February, 2009.



Adoption of the Statement

- Effective Date
 - Statement periods beginning after June 15, 2010 (Fiscal period ending June 30, 2011).
- Early Adoption
 - MTC adopted the standard in FY 2008–2009 financial statement
 - Why adopt early?
 - Participation in the Field test prepared MTC to adopt the statement early.
 - Allowed MTC to set up a benchmark and get attention from GASB and GFOA.
 - GASB encourages early implementation.
 - Why not adopt early?
 - No reference or formal process of the new standard.
 - Potential need for GASB to tweak the standard.
 - No reward for early adoption.

Statement Implementation

- Fund analysis
 - Evaluated 10 Governmental Funds subject to GASB 54 fund definition (¶ 28).
 - Conducted extensive review of the purpose for which MTC uses particular funds for financial reporting.
- Fund balance reclassification (¶ 5–22)
 - Identified the Non-spendable fund balance.
 - Represents amount that cannot be spent because they are either:
 - Not in spendable form.
 - » Prepaid items \$407,520 (see page 15)
 - Legally or contractually required to be maintained intact.
 - Reviewed each governmental fund’s fund balance.
 - Determined spendable classification of fund balance as defined by GASB 54 by reviewing the constraints imposed upon the use of each fund balance within fund.

Statement Implementation (cont'd)

- Fund balance reclassification (cont'd)
 - Spendable fund balance.
 - Restricted fund balance.
 - Externally enforceable limitations on use.
 - MTC's restricted fund balance are subject to legal restriction by grantors and legislations.
 - » Transportation projects \$144,745,131 (page 15).
 - » Rail projects \$132,160,398 (page 15).
 - Committed fund balance
 - Self-imposed by formal action of the government's highest level of decision making authority.
 - MTC considers Commission resolution to be the formal action.
 - » Designated reserves \$1,407,804 (page 15).
 - » Encumbrances \$8,966,958 (page 15).



Statement Implementation (cont'd)

- Fund balance reclassification (cont'd)
 - Assigned fund balance.
 - Limitation resulting from government's intended use of funds for a particular purpose.
 - MTC considers this level of authority to be the Administration Committee.
 - » There are no such restriction on MTC's fund balances.
 - Unassigned fund balance.
 - There is no residual classification except for general fund.
 - Deficit can be reported in other fund, only after assigned amount have been eliminated.
 - » Unassigned General Fund \$11,676,191 (page 15).
- MTC's before and after GASB 54 Balance Sheets.

Statement Implementation

Metropolitan Transportation Commission
 Balance Sheet – Governmental Funds (Pre - GASB 54)
 June 30, 2008

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents - unrestricted	\$ 13,513,068	\$ 17,505,808	\$ 75,875,918	\$ -	\$ 39,789,516	\$ 146,684,310
Cash and cash equivalents - restricted	149,990	-	-	-	560,675	710,665
Investments - unrestricted	205,862	25,318,171	-	-	53,604,227	79,128,260
Investments - restricted	-	-	-	-	46,664,674	46,664,674
Receivables:						
Accounts	13,999	-	-	999,464	-	1,013,463
Interest	1,587	78,160	750,000	-	610,663	1,440,410
State/Caltrans funding	3,401,966	-	42,824,841	57,138	-	46,283,945
Federal funding	23,335,418	-	-	8,888,782	-	32,224,200
Due from other funds	3,553,759	-	3,943,000	1,431,550	-	8,928,309
Prepaid items	407,520	-	-	-	-	407,520
Total assets	<u>\$ 44,583,169</u>	<u>\$ 42,902,139</u>	<u>\$ 123,393,759</u>	<u>\$ 11,376,934</u>	<u>\$ 141,229,755</u>	<u>\$ 363,485,756</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 13,726,611	\$ 3,655,005	\$ 19,522,644	\$ 1,910,520	\$ 1,083,051	\$ 39,897,831
Accrued liabilities	4,197,352	2,207,874	278,636	5,580,400	26,102	12,290,364
Due to other funds	7,397,699	286,258	1,023,278	2,369,469	856,855	11,933,559
Total liabilities	<u>25,321,662</u>	<u>6,149,137</u>	<u>20,824,558</u>	<u>9,860,389</u>	<u>1,966,008</u>	<u>64,121,755</u>
Fund balances						
Reserved for						
Benefits Reserve	2,202	-	-	-	-	2,202
Capital Projects	2,253,688	34,176,473	24,101,448	36,916	84,250,856	144,819,381
Seismic Retrofit	-	-	-	659,151	-	659,151
Professional Services Reserve	746,451	-	-	-	-	746,451
STA Reserve	4,175,455	-	-	-	-	4,175,455
HOV Reserve	478,298	-	-	-	-	478,298
Prepays Reserve	407,520	-	-	-	-	407,520
Unreserved, reported in						
General fund	11,197,893	-	-	-	-	11,197,893
Capital projects	-	-	-	820,479	-	820,479
Special revenue funds	-	2,576,529	78,467,753	-	55,012,891	136,057,173
Total fund balances	<u>19,261,507</u>	<u>36,753,002</u>	<u>102,569,201</u>	<u>1,516,546</u>	<u>139,263,747</u>	<u>299,364,003</u>
Total liabilities and fund balances	<u>\$ 44,583,169</u>	<u>\$ 42,902,139</u>	<u>\$ 123,393,759</u>	<u>\$ 11,376,935</u>	<u>\$ 141,229,755</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	8,855,077
Other Post Employment Benefit (OPEB) Prefund Asset	7,731,865
Capital leases are not due and payable in the current period and therefore are not reported in the funds	(86,841)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(2,945,186)
Net assets of governmental activities	<u>\$ 312,918,918</u>

Statement Implementation

Metropolitan Transportation Commission
 Balance Sheet – Governmental Funds (Post - GASB 54)
 June 30, 2008

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents - unrestricted	\$ 13,513,068	\$ 17,505,808	\$ 75,875,918	\$ -	\$ 39,789,516	\$ 146,684,310
Cash and cash equivalents - restricted	149,990	-	-	-	560,675	710,665
Investments - unrestricted	205,862	25,318,171	-	-	53,604,227	79,128,260
Investments - restricted	-	-	-	-	46,664,674	46,664,674
Receivables:						
Accounts	13,999	-	-	999,464	-	1,013,463
Interest	1,587	78,160	750,000	-	610,663	1,440,410
State/Caltrans funding	3,401,966	-	42,824,841	57,138	-	46,283,945
Federal funding	23,335,418	-	-	8,888,782	-	32,224,200
Due from other funds	3,553,759	-	3,943,000	1,431,550	-	8,928,309
Prepaid items	407,520	-	-	-	-	407,520
Total assets	<u>\$ 44,583,169</u>	<u>\$ 42,902,139</u>	<u>\$ 123,393,759</u>	<u>\$ 11,376,934</u>	<u>\$ 141,229,755</u>	<u>\$ 363,485,756</u>
Liabilities and fund balances						
Liabilities						
Accounts payable and accrued expenditures	\$ 17,923,963	\$ 5,862,879	\$ 19,801,280	\$ 7,490,920	\$ 1,109,153	\$ 52,188,195
Due to other funds	7,397,699	286,258	1,023,278	2,369,469	856,855	11,933,559
Total liabilities	<u>25,321,662</u>	<u>6,149,137</u>	<u>20,824,558</u>	<u>9,860,389</u>	<u>1,966,008</u>	<u>64,121,754</u>
Fund balances						
Nonspendable:						
Prepaid items	407,520	-	-	-	-	407,520
Restricted for:						
Transportation projects	4,175,455	36,753,002	102,569,201	820,479	426,994	144,745,131
Rail projects	-	-	-	-	132,160,398	132,160,398
Committed to:						
Benefits reserve	2,202	-	-	-	-	2,202
Building reserve	-	-	-	659,151	-	659,151
Liability reserve	746,451	-	-	-	-	746,451
Transportation projects	2,253,688	-	-	36,915	6,676,355	8,966,958
Unassigned:						
Unassigned	11,676,191	-	-	-	-	11,676,191
Total fund balances	<u>19,261,507</u>	<u>36,753,002</u>	<u>102,569,201</u>	<u>1,516,545</u>	<u>139,263,747</u>	<u>299,364,002</u>
Total liabilities and fund balances	<u>\$ 44,583,169</u>	<u>\$ 42,902,139</u>	<u>\$ 123,393,759</u>	<u>\$ 11,376,934</u>	<u>\$ 141,229,755</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	8,855,077
Other Post Employment Benefit (OPEB) Prefund Asset	7,731,865
Capital leases are not due and payable in the current period and therefore are not reported in the funds	(86,841)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(2,945,185)
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds	42,000,000
Other long-term liabilities are not available for current-period expenditures and, therefore, are deferred in the funds	(42,000,000)

Net assets of governmental activities

\$ 312,918,918

Statement Implementation (cont'd)

– Notes disclosure

- Fund balance classification policies and usage procedures (¶ 23)
 - Disclosed type of restrictions imposed on the use of funds.
 - Disclosed each fund balance governing authority who impose the restriction.
 - MTC discussed proposed disclosures with the auditors. (MTC's notes disclosure on next page).

Statement Implementation (cont'd)

- MTC's Notes disclosure
- Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This new standard has not affected the total amount of reported fund balances but has substantially changed the categories and terminology used to describe their components. In fiscal year 2008, MTC categorized fund balances in the Balance Sheet - Governmental Funds as reserved and unreserved. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. MTC evaluated each of its funds at June 30, 2009 and June 30, 2008 and classified fund balances into the following five categories:
 - Nonspendable - items that cannot be spent because they are not in spendable form, such as
 - prepaid items are reported in the general fund.
 - Restricted - items that are restricted by external parties such as creditors or imposed by
 - grants, law or legislation. MTC has legislative restrictions on amounts collected for various transportation and rail projects included in the AB 664 toll revenue, STA, BART car exchange,
 - Transit reserve, Feeder Bus and Rail reserve funds.

Statement Implementation (cont'd)

- MTC's Notes disclosure (cont'd)
 - Committed - items that have been committed by formal action by the entity's "highest level of decision-making authority"; which MTC considers to be Commission resolutions. This level of approval has been reported in the general fund, capital projects fund and the exchange fund in establishing the benefits reserve, building reserve and professional services reserve.
 - Assigned - items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. MTC considers this level of authority to be the Administration Committee. There are no such restrictions on MTC's fund balances.
 - Unassigned - this category is for any balances that have no restrictions placed upon them.
- MTC reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. MTC reduces committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.
- GASB Statement No. 54 also clarifies definitions for governmental fund types. MTC evaluated each of its funds at June 30, 2009 and June 30, 2008 and provided additional information with respect to the purpose of each fund (see Note. 1.A.). For MTC, this evaluation did not result in a reclassification of funds within the governmental fund types for fiscal years 2009 and 2008.

Statement Implementation (cont'd)

- Statistical Reporting (§ 36)
 - Retroactive implementation is encourage but not required.
 - Statistical report of “Fund Balances of Governmental Funds by Fiscal Year”.
 - » MTC re-state FY 2008 fund balance.
- Discussion with auditors on the proposed fund balance classification per GASB 54 standard.
 - MTC obtained the auditor’s concurrence on the fund balance classification.
 - MTC prepared the re-statement of prior year balance sheet before FY close.
 - MTC obtained the auditor’s concurrence on the re-statement.

Impact of the Standard

- Fund balance is more clearly define from GASB 54 classification.
- The correlation of the new Fund Balance classification to the Governmental Wide Net Assets:

Governmental Fund Balance Sheet

Fund Balance

Non-spendable
Restricted

Committed

Assigned

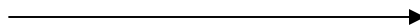
Unassigned

Governmental Wide Statement of Net Assets

Net Assets

Restricted

Unrestricted



Effect on Operations

- Restatement of prior years balance sheets.
- Modification to the Chart of Accounts
 - Creation of new general ledger accounts to capture different classifications of fund balance.
 - End of year manual fund balance classification.
 - Have to manually calculate the fund balance classification for each fund.

Implementation tips

- Prepare re-statement early to avoid the year end crunch.
- Obtain the auditor's concurrence on fund classification and re-statement before FY close.
- Implement GASB 54 to current year statement based on
on
prior year re-statement classifications as concurred by
the auditor.