



Governmental Accounting Standards Board

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GASB Acts to Improve the Reporting of Fund Balance Information for the Benefit of Financial Statement Users

Norwalk, CT, February 29, 2008—The Governmental Accounting Standards Board (GASB) today issued an Exposure Draft of a proposed GASB Statement, *Fund Balance Reporting and Governmental Fund Type Definitions*. The proposed Statement is intended to improve the usefulness of information provided about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

Diversity of practice in how fund balance is currently reported by state and local governments has caused confusion among preparers and users of financial statements. The proposed Statement seeks to address these differences by establishing a hierarchy of fund balance classifications primarily based on the extent to which a government is bound to observe spending constraints imposed upon the use of resources reported in governmental fund balances.

The GASB proposes to distinguish fund balance between amounts that are considered "nonspendable," such as fund balance associated with inventories, and "spendable," such as fund balance associated with cash. The spendable category would be further broken down based on the relative strength of the constraints that control how specific amounts can be spent. From greatest to least constraint, the classifications of spendable fund balance would be restricted, limited, assigned, and unassigned.

The proposed Statement also would clarify the definitions of individual governmental fund types. It includes interpretations of certain terms within the definition of special revenue fund types, while modifying the debt service and capital projects fund types for clarity and consistency. The proposal also specifies how economic stabilization or "rainy-day" amounts would be reported.

"Our research indicates that fund balance is one of the most widely-used pieces of information in state and local government financial statements. It is important to the analysis of those statements in the financial community, the legislative community, and by other financial statement users," states Robert H. Attmore, chairman of the GASB. "Our proposal sets forth clear criteria for the reporting of fund balance so that users of governmental financial statements will receive consistent and easier to understand information that is useful for decision making."

The proposed GASB Statement would be effective for financial statements for periods beginning after June 15, 2010. Governments that wish to implement earlier than that date are encouraged to do so. Copies of the Exposure Draft may be downloaded free of charge from www.gasb.org. A single photoconv of the Exposure Draft may

also be obtained by calling the GASB Order Department at (800) 749-0659.

About the Governmental Accounting Standards Board

The GASB is the independent, not-for-profit organization formed in 1984 that establishes and improves financial accounting and reporting standards for state and local governments. Its seven members are drawn from the Board's diverse constituency, including preparers and auditors of government financial statements, users of those statements, and members of the academic community. More information about the GASB can be found at its website.

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