

OHIO AUDITOR OF STATE KEITH FABER



Auditor of State Bulletin 2020-008

DATE ISSUED: December 18, 2020

TO: All Public Offices
Independent Public Accountants

FROM: Keith Faber
Ohio Auditor of State

SUBJECT: Auditor of State (AOS) Regulatory Cash Basis Financial Reporting
Framework – Fund Balance Classification Reporting Revisions

Bulletin Purpose

The purpose of this Bulletin is to communicate revisions to simplify the reporting of fund balance classifications in the AOS regulatory cash basis financial statements and footnotes.

Implementation Date

The revisions in this Bulletin supersede the AOS Bulletin 2011-004, *Governmental Accounting Standards Board (GASB) Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions*, requirements to report the fund balances on the face of the statements and amend the related footnote disclosures for non-GAAP mandated AOS regulatory cash basis financial statement presentations beginning with periods ended on December 31, 2020. However, the governmental fund type definition and the specific issues / additional information related to the AOS regulatory cash basis reporting framework in AOS Bulletin 2011-004 remain in effect.

For two year audits including periods ended on December 31, 2019 and 2020, the financial statements for the period ended December 31, 2019 will continue to report fund balances in accordance with AOS Bulletin 2011-004.

Bulletin Detail

Effective for periods ended on December 31, 2020 AOS regulatory cash basis financial reporting framework financial statements, AOS has eliminated the requirement for local governments to

report GASB Statement No. 54 fund balance classifications on the face of the AOS regulatory cash basis financial statements as previously required by AOS Bulletin 2011-004. The fund balance definitions will remain in Note 2 – *Significant Accounting Policies* to provide explanation of references in the required simplified *Fund Balances* footnote disclosure below.

If your local government reports the fund balance classifications on the face of the financial statements for the period ended December 31, 2020 or your local government does not include the required footnote disclosures outlined in this Bulletin when filing in the Hinkle System, auditors will propose audit adjustments during the audit to report these items in accordance with the requirements outlined in this Bulletin.

AOS regulatory cash basis financial statement and footnote shells for periods ended December 31, 2020 are available on our website at: <http://www.ohioauditor.gov/references/shells/regulatory.html>. For your reference, the following required disclosure has been included in the December 31, 2020 footnote shells, where applicable:

Note XX – Fund Balances

Included in fund balance are amounts the [Entity] cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | General | Special Revenue | Debt Service | Capital Projects | Permanent | Total |
|--------------------------|---------|-----------------|--------------|------------------|-----------|-------|
| Nonspendable: | | | | | | \$0 |
| Unclaimed Monies | xxx | | | | | 0 |
| Corpus | | | | | Principal | 0 |
| Outstanding Encumbrances | xxx | xxx | xxx | xxx | xxx | 0 |
| <i>Total</i> | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Questions

If you have any questions regarding the information presented in the Bulletin, please contact the Center for Audit Excellence at the Auditor of State's Office at (800) 282-0370.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Ohio Auditor of State