MEMO TO: Chief Financial Officers
and their Independent Public Accountants

FROM: Steve Gonzales

DATE: May 18, 2011

SUBJECT: Implementation of GASB Statement No. 54, Fund Balance Reporting and
Governmental Fund Type Definitions

Statement No. 54 of the Governmental Accounting Standards Board, Fund Balance
Reporting and Governmental Fund Type Definitions (GASB No. 54), is effective for
periods beginning after June 15, 2010 (in other words, effective for the fiscal year ending
June 30, 2011). Please review the attached State of New Mexico Implementation Guide
(Guide) for guidance on applying GASB No. 54 to your agency’s fund balances and
governmental funds. If you or your auditors have any questions regarding GASB No. 54
or the guidance provided please contact the CAFR Unit.

We would like to stress a few points regarding GASB No. 54:

1. GASB No. 54 applies only to governmental funds (general fund, special revenue
fund, capital projects fund, and debt service funds)
2. Apply GASB No. 54 to the balances as of June 30, 2010, instead of waiting for
the fiscal year 2011 audit.
3. Discuss this information with your auditors as soon as you have a valid contract.
4. By June 1, 2011, all agencies will be required to reclassify all balances in
accounts 301900 through 3278900 and 333900 through 351900 to account
328900 Fund Balance/Unres., Undes. The reason for this requirement is so that
the SHARE chart of accounts can be modified to comply with the GASB No. 54.
Please submit the journal entries to the CAFR Unit by or before June 1, 2011.
Remember to prepare the journal entries to correspond to the lowest level of detail
contained within any of the accounts for your agency. Balances must be zero at
the lowest level before the chart of accounts can be modified.

We have a preliminary determination as to which fund balance accounts will be modified
or inactivated. While GASB No. 54 applies only to governmental funds, we felt it was
necessary to address all fund types in the chart of accounts at once. Currently, the chart
of accounts does not adequately address the net asset classification needed for the
business and fiduciary type funds; therefore, we will be assigning specific accounts for
the fund balance/net asset classifications for the governmental, business, and fiduciary
types funds. Once the chart of accounts has been modified, agencies will be able to
reclass fund balance/net assets amounts to the appropriate accounts based on fund type. The process for approving new fund requests is currently under evaluation. We will notify you if any changes to the process are deemed necessary.

Lastly, if there is significant interest from the agencies, the CAFR Unit will consider organizing a working forum/class to discuss the implementation of GASB No. 54 and/or specific questions on the Guide. If you are interesting in such a forum, please email the CAFR Unit. If a forum is not held, you are still welcome to contact the CAFR Unit for any questions or problems that arise.

If you have any questions, please contact the CAFR Unit at CAFR.UNIT2@state.nm.us or 505-992-6189.

SAG: CAFR Unit