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DIVISION OF MUNICIPAL AUDIT

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**Memorandum**

To: Independent CPAs and Municipalities

From: Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit 

Subject: Clarification Regarding GASB 54 and Solid Waste Funds

On June 30, 2010, revised editions of the *Audit Manual* and the *City Manual (Internal Control and Compliance Manual for Tennessee Municipalities)* were issued. Those manuals included guidance regarding GASB 54 and the impact that it would have on special revenue Solid Waste Funds created and maintained pursuant to *Tennessee Code Annotated*, Section 68-211-874.

GASB 54 states, in part, "Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund....The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund."

Please review the provisions of GASB 54 regarding the actions or conditions necessary to establish a restricted or committed revenue stream. If all of the GASB 54 criteria are met, then a special revenue fund would be appropriate.