

FUND BALANCES/GASB 54

Background

Statement No. 54 of the Governmental Accounting Standards Board (GASB 54) establishes accounting and financial reporting standards for all governments that report governmental funds. GASB 54 establishes criteria for classifying fund balances and clarifies definitions for governmental fund types.

Actions Leading to Restricted, Committed and Assigned Fund Balances

For committed fund balances (as defined in GASB 54), the district's highest level of decision-making authority is the Board of Education. Restrictions are authorized by the Board based on recommended fund placement in the original adopted and later revised budget, as well as by Board resolution. Further, the Board delegates the authority to assign amounts for specific purpose(s) to the superintendent or designee.

1. *Nonspendable Fund Balance* – Represents amounts that cannot be spent due to form (such as inventory) or are required to be maintained intact.
2. *Restricted Fund Balance* – Represents amounts constrained for a specific purpose – restricted expenditure use.
3. *Committed Fund Balance* – Represents amounts designated for a special purpose by a government using its highest level of decision-making authority – the Board would make the commitment and only the Board can remove such a commitment.
4. *Assigned Fund Balance* – For all governmental funds other than the general fund – the amount reported as assigned should not result in a deficit in unassigned fund balance.
5. *Unassigned Fund Balance* – Represents only the general fund and all remaining fund balances not classified in the first four levels.

Order of Spending

For all funds except the Debt Service Fund, the Board may consider the order of spending as restricted, committed, assigned, and then unassigned amounts as available. For the Debt Service Fund, the Board may approve unrestricted or assigned balances to be spent prior to restricted balances, allowing the spending of interest prior to principal. The year end audit process will establish the fund balance restriction recommendations for classifying remaining fund balances as required by GASB 54.

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Basic

Governmental Fund Types

State rules for public school finance require the Teachers Fund (Special Revenue Fund 2) be used to account for revenue sources legally restricted to expenditures for the purpose of teachers' salaries and benefits and tuition payments to other school districts as outlined by the Annual Secretary of the Board Report (ASBR). Substantial sources of revenue for the Teachers Fund will be through transfers from general fund balances and the required state basic formula and Proposition C sales tax allocations. The Board establishes the Teachers Fund as a special revenue fund, and a major fund, in the financial statements.

Minimum Unrestricted Fund Balance

The district shall maintain sufficient financial reserves to provide for prudent financial management and for adequacy of cash flow to support operations. The operating fund balance is the combined fund balances for the Teachers', Incidental, and Capital Projects Funds. These reserves include elements for an operating reserve and a financial stabilization reserve. The appropriate amount for the operating reserve fund should be reviewed periodically.

As fund balances approach the 16 - 22 percent Board-established minimum reserve balance, the Board may determine necessary action to include, but not be limited to, a levy election or significant budget reduction measures.

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Note: The reader is encouraged to check the index located at the beginning of this section for other pertinent policies and to review administrative procedures and/or forms for related information.

Adopted: 06/16/2011

Platte County R-3 School District, Platte City, Missouri