

SUPPORTING AGENDA DATA  
BOARD OF DIRECTORS, EDUCATION SERVICE CENTER, REGION 20

July 6, 2011

SUBJECT: ESTABLISHMENT OF FUND BALANCE POLICY AS REQUIRED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) 54

EXPLANATION: The Governmental Accounting Standards Board (GASB) released Statement 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” on March 11, 2009 which is effective for fiscal year ending August 31, 2011. This new Statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification. This Statement applies to fund balance reported in the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund and Permanent Fund. This Statement does not apply to Enterprise Funds, Internal Service Funds and Fiduciary Funds.

Currently fund balance is classified as “reserved” or “unreserved.” Unreserved fund balance may be further allocated into designated and undesignated. GASB 54 changes how fund balance is reported. The hierarchy of five possible GASB 54 classifications is as follows:

- **Non-spendable Fund balance** includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually (principal endowment) (e.g. inventory, pre-paid items, permanent scholarships).
- **Restricted Fund Balance** includes amounts constrained for specific purpose by external parties (e.g. Debt Service, Capital Projects, State and Federal Grant Funds).
- **Committed Fund Balance** includes amounts constrained for a specific purpose by a government using its highest level of decision making authority (e.g. Major Maintenance, Capital Equipment Replacement, Land, Construction, and Other Special Projects)
- **Assigned Fund Balance** includes general fund amounts constrained for a specific purpose by a governing board or by an official that has been delegated authority to assign amounts. (e.g. Encumbrances)
- **Unassigned Fund Balance** is the residual classification for the general fund.

In addition, governments will be required to disclose more information in the notes to the financial statements about amounts reported in fund balance as follows:

- Description of authority and actions that lead to committed or assigned fund balance

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(Continued)

- Government's policy regarding order in which restricted, committed, assigned, and unassigned amounts are spent (contained in the attached resolution)
- Description of formally adopted minimum fund balance policies (contained in attached resolution)
- The purpose of each major special revenue fund
- Encumbrances, if significant

ACTION: It is recommended that the following resolution be adopted:

BE IT RESOLVED, That the Board of Directors hereby adopts the following:

Fund balance measures the net financial resources available to finance expenditures of future periods.

The Center's Unassigned General Fund Balance will be maintained to provide the Center with sufficient working capital and margin of safety to address local and regional emergencies without borrowing.

Fund Balance of the Center may be committed for a specific source by formal action of the Center's Board of Directors. Amendments or modifications of the committed fund balance must also be approved by formal action of the Center's Board of Directors.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Executive Director or the Associate Director of Business and Human Resource Services.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Respectively submitted,



Ronny L. Beard  
Executive Director