

# Fund Balance Resolution

June 28, 2011

## SUMMARY:

The purpose of this item is to request Board approval of the Fund Balance Resolution in accordance with GASB 54 as required for effective date June 30, 2011.

## BOARD GOAL:

VI. Growth & Change....In pursuit of excellence, the District will: Review and adjust policies and procedures as appropriate to address the challenges of rapid growth and changing demographic characteristics while maintaining and enhancing our strong sense of community.

VI. Growth & Change....In pursuit of excellence, the District will: demonstrate effective and efficient management of district resources.

## PREVIOUS BOARD ACTION:

On October 6, 2010 the Board approved designated fund balance as of June 30, 2010 in the amount of \$1,636,325.56.

## BACKGROUND INFORMATION:

The Governmental Accounting Standard Board (GASB) issued Statement 54 – “Fund Balance Reporting and Governmental Fund Type Definitions in February 2009 to be effective for financial statements for period beginning after June 15, 2010.

## SIGNIFICANT ISSUES:

This new Statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification. All funds are classified into one of the following categories:

- Governmental Funds – taxes and grants
- Proprietary Funds – business type activities
- Fiduciary Funds – activities as agent or trustee

Each category is further defined by eleven fund types.

**Fund Balance** - The term Fund Balance is used to describe the difference in the assets and liabilities reported in a Governmental Fund. The fund balance reports financial assets and liabilities expected to be liquidated with current financial resources and represent more of a measure of liquidity. The Governmental Fund consists of the following fund types: General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds and Permanent Funds.

**Net Assets** – The term Net Assets is used to describe the difference between total assets and liabilities in the Proprietary and Fiduciary funds. The Net Assets is more of a measure of net worth.

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** – Assets that will never be converted into cash such as inventory, prepaid items.
- **Restricted Fund Balance** – Assets that are subject to external legal restrictions such as creditors, grantors, contributors and other governments – Debt Service, Capital Projects, State and Federal Grant Funds.
- **Committed Fund Balance** – Self-imposed limitations by the governing body that remain binding until removed in the same manner. The action would need to occur no later than the close of the reporting period.
- **Assigned Fund Balance** – A portion of fund balance that reflects an intended use of resources. The intent is established by the governing body or by an official designated for that purpose.
- **Unassigned Fund Balance** – Residual classification for the General Fund

In addition, governments are required to classify and report amounts in the appropriate fund balance classification by applying policies to determine the category of amounts considered to have been spent. In addition, disclosure of these policies is required in the notes to the financial statements.

## FISCAL IMPLICATIONS:

No fiscal implication. This action is a reclassification of our current fund balance terminology.

## BENEFIT OF ACTION:

Approval of this item provides compliance with GASB 54 at the effective date of 6/30/11 for Denton ISD.

**PROCEDURAL AND REPORTING IMPLICATIONS:**

None

**SUPERINTENDENT'S RECOMMENDATION:**

Recommend approval of the attached Fund Balance Resolution in accordance with GASB 54 regulations.

**STAFF PERSONS RESPONSIBLE:**

Debbie Monschke – Executive Director of Administrative Services

Julie Simpson – Accounting Supervisor

**APPROVAL:**

Signature of Staff Member Proposing Recommendation: \_\_\_\_\_

Comments: \_\_\_\_\_

Signature of Divisional Leader: \_\_\_\_\_

Comments: \_\_\_\_\_

Signature of Superintendent: \_\_\_\_\_

Comments: \_\_\_\_\_