

RIVER ROAD I.S.D. BOARD OF TRUSTEES

June 13, 2011

Agenda Item:	Resolution Committing Fund Balance in Accordance with GASB 54 including designations thereto
Administrator Responsible:	Mike Hodgson
Attachments:	GASB 54 Hierarchy GASB 54 Resolution
<input checked="" type="checkbox"/> Action Needed <input checked="" type="checkbox"/> For Discussion <input type="checkbox"/> Information Other: <input type="checkbox"/>	

Background Information:

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 (June 30, 2011 or 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 extremely restricted reserves.

Currently fund balance is classified as "reserved" or "unreserved." Unreserved fund balance may be further allocated into designated and undesignated. GASB 54 will change 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 a 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 Replacement Reserve, Land, Hail Reserve, and Campus Activity Funds).
- **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.
- **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 financial statements about amounts reported in fund balance as follows:

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

- Government's policy regarding order in which restricted, committed, assigned, and unassigned amounts are spent (contained in 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

Administrative Recommendation:

It is recommended that the Board approve the resolution committing fund balances in Accordance with GASB 54 regulations as attached.

Sample Motion:

I move that the Board approve the resolution committing fund balances in Accordance with GASB 54 requirements as attached.