

GASB 54

Governmental Fund Type Definitions

In February 2009, the Governmental Accounting Standards Board issued Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement significantly changed the categories and terminology used to describe the components of the ending fund balance. These changes are intended to enhance how fund balance information is reported by establishing new classifications that are easier to understand. GASB 54 also clarifies the definition of some governmental funds.

Governmental Fund Type Definitions

General Fund (SACS 01)

- To account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds (SACS 09-20)

- 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*.

Capital Projects Funds (SACS 21-50)

- To account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlay.

Debt Service Funds (SACS 51-56)

- To account for and report financial resources that are restricted, committed or assigned to expenditures for principal & interest.

Permanent Funds (SACS 57-60)

- To account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Special Revenue Funds

- Used only to report the proceeds of specific revenue sources that are restricted or committed to purposes other than debt service and capital outlay.
- One or more specific restricted or committed revenue sources should be the foundation for a special revenue fund.
- The restricted or committed revenue source expected to continue and comprise a "substantial" portion of the inflows reported in the fund (industry standard is around 20 – 50%).
- The restricted or committed revenue source is expected to continue.
- Other revenue sources (i.e. interfund transfers) may be reported in the fund if those resources are restricted or committed to the specified purpose of the fund.
- Discontinue use of a Special Revenue fund if restricted or committed revenue sources no longer compose a substantial portion of the fund.
- If no further inflows expected, LEA can spend down remaining restricted balances and then close the fund.
- Maintaining a committed or restricted balance, alone, is NOT sufficient to justify the continued use of a special revenue fund.

Special Revenue Funds 11 and 14

- Adult Education and Deferred Maintenance
- Flexibility provisions make these revenue sources unrestricted.
- Districts that elect to continue using these funds must take formal board action to *commit* fund balances. Amounts transferred into these funds must also be formally committed.
- Flexibility provisions will subset, so CDE has elected not to close these funds.
- Fund 14, Deferred Maintenance Fund, funding consolidated into LCFF effective 2013-14, however, Education Code 17582 allows school districts to maintain a deferred maintenance fund.
 - Not required, may use general fund for deferred maintenance.

Special Revenue Funds 17 and 20

- Special Reserve Funds 17 and 20 does not contain *specific revenue sources that are restricted or committed to expenditures for specified purposes*.
- They basically function as an extension of the general fund.
- Fund balance will be classified as *assigned* in Funds 17 and 20.
- Fund 17 will also allow *unassigned* under Object Code 9789, Reserve for Economic Uncertainties.
- May be combined with the general fund for presentation in the audited financial statements, or the departure from GAAP can be explained in the financial statements.

Actions to Take

- Adopt policies before year end (year adopted).
- Take formal action on commitments before year end.
- Evaluate fund use and make changes if needed (i.e. Funds 11, 14, 17 and 20).
- Explain the requirements to your Board.
- Read CDE advisory and consult with auditors.

Policies and Note Disclosures

- Description of the authority and actions that lead to *committed* and *assigned* fund balance.
- Identify highest level of decision-making authority.
- Type of formal action required to establish, modify or rescind a commitment of fund balance.
- The body or official authorized to *assign* amounts to specific purposes, and the policy pursuant to that authorization.

Classifying Fund Balance Amounts (Spending Order Policy)

- When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, determine whether the district considers restricted or unrestricted funds to have been spent first.
- When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, determine whether the district considers *committed* amounts reduced first, then *assigned*, and then *unassigned*.

Minimum Fund Balance Policy

- Reserve for Economic Uncertainties (REU).
- The governing board should describe in the notes to its financial statements the policy established by the district that sets forth the minimum amount or percentage.
- If the district uses Fund 17 for a portion of the REU, the policy should reflect some language for this.

Stabilization Arrangements

Stabilization arrangements more formal than the minimum fund balance policy should include the following in the note disclosure:

- The authority for establishing stabilization arrangements;
- The requirements for additions to the amount;
- The conditions under which stabilization amounts may be spent; and
- The stabilization balance, if not apparent.

Sample resolutions can be found at our website at:

<http://www.sdcoe.net/business-services/financial-services/Pages/Fund-Resolutions.aspx>