

Accounting Bulletin #2010-01

SUBJECT: Implementation of GASB Statement #54: Fund Balance Reporting

Effective Fiscal Year 2010-11

Date: ~~May 17, 2010~~
Partial Text Revised, March 17, 2011
To clarify fund balance categories

This Bulletin applies to all LEAs and is a joint release from the Office of Comptroller Operations and the Department of Education (PDE). Implementation is effective July 1, 2010.

Overview

In March, 2009 the Governmental Accounting Standards Board (GASB) released GASB Statement #54 – Fund Balance Reporting and Governmental Fund Type Definitions. The statement can be purchased from the GASB at www.gasb.org. A plain-language document is also available on the same site.

Accounting bulletin #2010-01 will address the changes on the financial statements due to the implementation of this statement and the new account codes that will be established for this reporting. Accounting Bulletin #2010-02 will address the impact of this statement on the governmental funds types applicable to LEAs as defined in the Manual of Accounting and Financial Reporting for Pennsylvania Public Schools (Accounting Manual).

Statement #54 “establishes criteria for classifying fund balances into specifically defined classifications.” “Fund balances should be based on a hierarchy that reflects the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.” The fund balance classifications established by Statement 54 are: nonspendable, restricted, committed, assigned and unassigned. Brief descriptions are provided in this bulletin.

Fund Balance Categories

Nonspendable – amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact. Examples of items that would be considered nonspendable include inventories and the principal of a permanent fund. The nonspendable portion of fund balance must be identified before any of the other categories are determined.

Restricted – the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed – the portion of fund balance that can only be used for specific purposes as a result of formal action by the school’s highest level of authority (in most cases this would be the school board). Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially constrain the money. The action of the board to commit the funds should take place before the end of the reporting period; however, the amount can be determined in the subsequent period.

Assigned – reflects the school’s *intent* to use the money for a specific purpose but is not considered restricted or committed. For funds other than the general fund include in this category all remaining moneys (except for negative balances) that are not considered nonspendable, restricted or committed. Unlike committed fund balances, assigned fund balances can be changed without formal action and do not need to be designated by the board. The assignment of funds for a specified purpose cannot result in a negative unassigned fund balance.

Unassigned – represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance. All other fund types should classify their fund balance within the other categories. A negative unassigned fund balance may occur in any fund when expenditures exceed revenues; however, any amount listed as assigned must then be reduced to eliminate the negative unassigned fund balance.

Additional information

- According to the GASB standard, amounts recorded as committed, assigned and unassigned are considered unrestricted and available for appropriation.
- For Commonwealth reporting purposes, the amounts in the unassigned categories correspond to amounts previously reported as unreserved undesignated.
- Fund balance categories will *generally* crosswalk as follows:

Pre GASB 54

Post GASB 54

Reserved = Nonspendable
or
Restricted

Unreserved Designated = Committed
or
Assigned

Unreserved Undesignated = Unassigned

- Schools should disclose in their notes to the financial statements:
 - Policy that determines whether the government considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.
 - If a school has formally adopted a minimum fund balance policy, the notes to the financial statements should describe this policy.
 - For committed fund balances – define the government’s highest level of decision-making authority and the formal action needed to consider funds committed and to rescind this action.
 - For assigned fund balances – describe the person(s) authorized to set aside amounts as assigned and the policy that grants this permission
 - A breakdown of the aggregated nonspendable fund balance must be disclosed in the notes.
 - Schools that use encumbrance accounting must disclose the amounts by major and non major fund.
 - Refer to the statement for any additional required disclosures.

New account codes

The following codes will be used to account for the new fund balance categories effective July 1, 2010

- 0810 – Nonspendable fund balance
- 0820 – Restricted fund balance
- 0830 – Committed fund balance
- 0840 – Assigned fund balance
- 0850 – Unassigned fund balance

Questions regarding the accounting guidance in this bulletin may be directed to the School Finance staff within the Office of Comptroller Operations at Ra-Schlfin@pa.gov

Questions regarding the impact of this Statement on PDE related issues may be addressed to: ra-GFB@pa.gov