



RESERVES

Reserves are accounts earmarked for a portion of a fund balance to indicate that it is not available for expenditure. Examples of these are reserves for revolving cash, stores, and prepaid expense.

Reserves are also established to designate a portion of the fund equity for a specific future use. Examples of these are restricted program balances and economic uncertainty. Reserves can also be designations by the board.

Reserve Samples

Account	Title	Normal Balance
9711	Reserve for Revolving Cash	Credit
9712	Reserve for Stores	Credit
9713	Reserve for Prepaid Expense	Credit
9719	All Other Nonspendable Assets	Credit
9740	Restricted Balance	Credit
9750	Stabilization Arrangements	Credit
9760	Other Commitments	Credit
9780	Other Assignments	Credit
9789	Reserve for Economic Uncertainties	Credit

Example - XYZ School District's general ledger has the following balance:

Fund 01-00	Object 9320	Stores	5,000
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When the stores physical inventory was taken, the actual stock was valued at \$5,500.

The following adjustments are needed to the general ledger accounts:

Account	Fund	Resource	Goal	Function	Object	Debit	Credit
Stores	01-00	XXXX			9320	\$500	
Supplies	01-00	XXXX	XXXX	XXXX	4000		\$500
Reserve for Stores (SACS)	01-00	XXXX			9712		\$5,500

GASB 54 – Fund Balance Reporting

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.

GASB 54 eliminates the reserved/unreserved component of fund balance in favor of a hierarchy of restricted/unrestricted classifications which are based upon the level of spending constraints placed upon the funds. The five classifications are:

Restricted Funds

1. Nonspendable
2. Restricted

Unrestricted Funds

3. Committed
4. Assigned
5. Unassigned

GASB 54 affects only the Governmental Funds of the school district (SACS Funds 01-60), and is effective the close of fiscal year 2010-11 for audited financial statements as of June 30, 2011.

The CDE letter and related attachments dated January 7, 2011, *New Requirements for Reporting Fund Balance in Governmental Funds*, can be found on their website at: <http://www.cde.ca.gov/fg/ac/co/>.

Fund Balance Classifications

Nonspendable

- Amounts are not in spendable form (i.e. inventory, prepaids, long-term portion of loans receivable).
- Legally or contractually required to be maintained intact (i.e. the principal amount of a permanent fund.)

Restricted

- Amounts are subject to *externally* imposed and legally enforceable constraints.
- Constraints may be imposed by grantors, creditors, contributors, laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Restricted General Fund (Object 9740)

Committed

- Amounts are subject to *internal* constraints self-imposed by *formal action* of the government's highest level of decision-making authority.
- "Formal action" varies by governments. For school districts, governing board actions taken at a public meeting can vary from a vote, a resolution, or the adoption of a budget.
- The amounts cannot be used for any other purpose unless the same type of action is taken to remove or change the constraint.
- The constraint for committed fund balances must be imposed no later than June 30th. (The actual amounts can be determined subsequent to that date at year-end closing.)

Assigned

- Amounts that the government *intends* to be used for specific purposes.
- Assigned amounts can be established by a) the governing board; or b) a *body* (budget committee, finance committee, site council, etc.), or *official(s)* that has been designated by the governing board.
- The constraints that are imposed are more easily removed or modified than those classified as committed.
- The assignment does not need to be made before the end of the reporting period (June 30th), but rather can be made any time prior to the issuance of the financial statements (at year-end closing).

Fund Balance Classifications (Continued)

Unassigned

- General Fund only, it is the residual balance that is not restricted, committed or assigned.
- All Other Funds, a positive unassigned fund balance is never reported. (Fund 17 exception; discussion to follow)
- Deficits in another classification that cannot be eliminated are reported as a negative unassigned fund balance. (Object 9790)

Stabilization Arrangements

- Classified as a *committed* fund balance under Object Code **9750**.
- Level of constraint must meet the criteria to be reported as committed.
- Circumstances for spending must be both *specific* and *non-routine* in nature; and identified in the formal action that imposes the parameters for spending.

Reserve for Economic Uncertainties

- Does not meet the criteria for being classified as a *committed* fund balance.
- Classified as *unassigned* using Object Code **9789**.
- Available in the General Fund and in Fund 17, Special Reserve for Other Than Capital Outlay.