Chapter 5

Accounting for the Balance Sheet

(Assets, Liabilities, and Fund Balance/Equity)

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GENERAL

This chapter explains the classification of balance sheet accounts that community college districts are to use for reporting to the Chancellor's Office on the Annual Financial and Budget Report (CCSF 311). The balance sheet is the basic financial statement that discloses the assets, liabilities, and fund balance or equity of district funds as of a specified date.

The balance sheet of each fund is combined by fund is reported separately in the district's financial statements to provide an analysis of district's financial condition at a particular point in time. Assets and liabilities are generally listed in order of liquidity from most (cash) to least (inventories or prepaid expenses) liquid. Alternatively, accounts may be reported in the following subgroups: current assets and current liabilities for the governmental funds with the addition of non-current assets, capital assets and long-term liabilities for proprietary and fiduciary funds (See Chapter 2 for more detail).

All financial transactions can be stated in terms of their effect on the equation:

Assets - Liabilities = Fund Balance

Assets are resources owned or held by a fund that have a probable future economic benefit. For example, cash is used to purchase future goods and services while capital assets are used to perform specific functions that benefit future periods.

Liabilities are debts or other legal obligations arising from past financial transactions that must be liquidated, renewed, or refunded at some future date. Liabilities do not include encumbrances, which are budgetary commitments of funds that do not become legal obligations until delivery of the product or services.

Fund Balance is the difference between the assets and liabilities of a fund.

The 9000 series of accounts records the results of financial transactions and their effect on the balance sheet. The following is the basic balance sheet chart of accounts; each account with its subordinate classifications, is defined in the remainder of this chapter.

Assets

<u>Current Assets</u>
9100 Cash, Investments, and Receivables
9200 Inventories, Stores, and Prepaid Items

Non-Current Assets
9300 Fixed Assets
9400 Other Debits

Liabilities

Current Liabilities
9500 Current Liabilities and Deferred Revenues

Long-Term Liabilities
9600 Long-Term Obligations

Fund Balance

Non GASB 54 Terminology and accounts

9700 Fund Balance
- Reserved
- Designated
- Unrestricted

GASB 54 Terminology and accounts

9700 Fund Balance
- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

Equity

9800 Equity

Normally, asset accounts are debit balances, and liability and fund balance accounts are credit balances. Contra accounts may be used to record offsetting entries to asset, liability or fund balance accounts. Such contra accounts have the opposite balance as their counterparts (e.g., contra-assets have credit balances and contra-liability and contra-fund balance accounts have debit balances). For example, Asset account-Accumulated Depreciation–Buildings is a contra-asset account used to record the cost associated with the expiration of the estimated service life of buildings.

The classifications presented here provide major and subordinate reporting categories. Account numbers have not been prescribed for subordinate classifications in order that districts have discretionary control over the assignment of account numbers.

ASSETS

9100 Cash, Investments, and Receivables

Cash Awaiting Deposit
Cash in Bank(s)
Cash in County Treasury
Cash with Fiscal Agent
Revolving Funds
Investments
Accounts Receivable
Allowance for Uncollectable Accounts
Due from Other Funds
Student Loans Receivable

These accounts record the results of financial transactions and their effect on available cash, investments of surplus cash, and moneys due.

Account 9100, Cash, Investments, and Receivables, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Cash Awaiting Deposit
Cash receipts not yet deposited in the county treasury or bank accounts, including money held in clearing accounts awaiting deposit in the county treasury.

Cash in Bank(s)
Cash maintained in separate bank accounts or other commercial depositories. All money deposits should be in a financial institution whose accounts are federally insured. Amounts in excess of the federal insurance limit should be collateralized by agreement with the financial institution.

Cash in County Treasury
Cash maintained in the treasury of the county having jurisdiction over the district, including amounts processed through the county superintendent of schools, if applicable.

Cash with Fiscal Agent
Cash held in an institution (usually a commercial bank or trust company) designated by the district to act as a fiduciary and as the custodian of moneys related to debt financing (e.g., Tax Revenue Anticipation Notes and bond issues).

Revolving Funds
Cash maintained in a special bank account set aside for the purpose of making change or immediate payments of small amounts. Examples include imprest, petty cash, and change funds.

Invoices for these payments are accumulated and the account is reimbursed at least monthly from district funds to maintain the cash account at the predetermined amount.

Investments
Surplus moneys (not required for immediate use) invested in investment pools (e.g., Local Agency Investment Fund) or other investment instruments such as stocks, bonds, notes, Treasury bills, certificates, debentures, or other obligations issued by the federal government or by banks for cooperatives. Refer to *Government Code* Section 53600 et seq., for a definition of appropriate investment instruments and reporting requirements. Such investments are to be carried on the books at the current fair value as prescribed by GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

As an investment option, districts may choose to enter into interest rate swap agreements. The Governmental Accounting Standards Board has issued several Statements providing guidance as to the proper accounting for these agreements including Statements 53, *Accounting and financial Reporting for Derivative Investments* and Statement 64, *Derivative instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53.* Districts should be fully aware of these statements and should consult with their external auditors concerning the proper accounting for these investments.

Accounts Receivable
The amount due from firms, corporations, governmental units, and individuals, including outstanding salary and travel advances to employees.

Amounts due from students (e.g., fees), with the exception of student loans, are included as Accounts Receivable.

Property tax revenues from assessments attributable to the fiscal year being reported that are not received by year-end are recorded as accounts receivable to the extent that they are both measurable and available. Such revenues are considered available if they are expected to be collected soon enough to be used to pay liabilities of the current period (generally 60 to 90 days). Contact the county auditor to determine the amount to record as a receivable. Property tax revenues received that are more or less than the accrual established in the prior year and are not the result of an error, as described in the

Governmental GAAP Guide, should be recorded as an increase or abatement to the current-year revenue and not an adjustment to the beginning fund balance.

Amounts due from other funds of the district are not recorded as Accounts Receivable, but are recorded as "Due From Other Funds."

Allowance for Uncollectable Accounts
The Allowance account is a Contra Asset account with a normal credit balance. The account is used to reduce the carrying balance of amounts due from others, including students, to a net realizable value. The allowance balance is the estimated total of uncollectible accounts included in the accounts receivable.

This allowance may be calculated using actual account balances as in all student receivables over two years may be considered uncollectible. Or may be calculated as a percentage of the aging of total accounts receivable balances; 10% of amounts over 60 days, 50% of amounts over 1 year, 100 % of amounts over 2 years. This calculation should be reviewed and updated at least annually or more frequently as necessary.

Due From Other Funds
The amount due from other funds of the district. At any point in time, the total amount reported across all funds must equal the amount due **to** other funds reported across all funds; however, if funds operate on different fiscal years, the due to and due from accounts between the funds may not be equal.

Student Loans Receivable
The amount due from outstanding loans to students under all loan programs. All other amounts due from students (e.g., fees) are recorded as accounts receivable.

9200 Inventories, Stores, and Prepaid Items

Inventories and Stores
Prepaid Items

These accounts record financial transactions and their effect on asset accounts for the cost of materials, supplies, and resale merchandise purchased and kept on hand for future consumption or sale. In addition, the accounts record prepayment for goods and services to be provided and consumed in a future period.

Account 9200, Inventories, Stores, and Prepaid Items, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Inventories and Stores
The cost of all materials, supplies, and consumable items kept in storage for future consumption or sale. Also the valuation of books, food products and materials held for resale by the Bookstore and/or the Cafeteria.

Prepaid Items
The cost of services or goods paid for in advance but not yet received such as prepaid rent, prepaid interest and premiums on unexpired insurance.

The portion of a payment in advance that provides benefits beyond the current reporting period is recorded as Prepaid Items. In subsequent periods, prepaid amounts are reduced and recorded as expenditures as the benefits are received (e.g., as insurance coverage expires).

9300 Capital Assets

- Sites
- Site improvements
    - Accumulated Depreciation - Site Improvements
- Buildings
    - Accumulated Depreciation - Buildings
- Library Books
- Equipment
    - Accumulated Depreciation - Equipment
- Work in Progress

These accounts record the results of financial transactions and their effect on assets of a long-term character that are intended to continue to be held or used for more than one year (capital assets). These assets are of a permanent nature and have continuing value, such as land, buildings, machinery, furniture, and other equipment. The following accounts are found in the Proprietary Funds Group - Enterprise Funds (EF) and Internal Service Funds (ISF) as well as the Fiduciary fund types. Capital assets with contra depreciation allowance accounts are accounted in the same fund groups. These accounts are not utilized for the Governmental Fund Types for purposes for reporting on the CCSF 311, but capital assets should be tracked for inclusion on the entity wide financial statements (see Chapter 6 for the appropriate conversion entries). For the Governmental Funds Group, the financial acquisitions of capital assets are recognized as expenditures in the period of the financial transaction.

The detailed accounting of District Capital Assets will be for inclusion in the entity wide financial statements. Therefore, all districts should be incompliance with this requirement by documenting the historical cost of capital assets. Capital assets acquired through donations shall be recorded at fair market value to be incompliance with GASB Statements 34/35 reporting requirements as noted in the GAAFR.

Accumulated Depreciation is a Contra Asset account with a normal credit balance. Districts will utilize the straight line method of depreciation over the appropriate useful life of the asset in accordance with district capitalization policy.

Account 9300, Capital Assets, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Sites
The original cost of sites or land owned by the district. The original cost of the site is not a depreciable asset and will remain in the accounting records at the original cost.

Site Improvements
The cost of all permanent improvements, other than buildings which add value to land. See the corresponding section of Accounting for Expenditures and Other Outgo, Object of Expenditure 6100 for clarification.

Accumulated Depreciation - Site Improvement
The accumulation of periodic credits made to record the expiration of the estimated service life of improvements other than building.

Buildings
The cost of permanent structures purchased or constructed by the district and improvements thereto.

Accumulated Depreciation - Buildings
The accumulation of periodic credits made to record the expiration of the estimated service life of buildings.

Library Books
The cost of books or media purchased for the college library. As the books themselves have an intrinsic value, and will be used over time, therefore no Accumulated Depreciation contra account is necessary.

Equipment
The cost of tangible or intangible property of a permanent nature, other than land or buildings and improvements thereon. Examples include machinery, tools, software, automobiles, furniture, and furnishings.

For purposes of capitalization and depreciation, equipment is defined as having a purchase price of $5,000 or more as defined by the district adopted capitalization policies and a useful life one year or more. Equipment purchased with funds from categorical programs, grants or contracts (e.g., CTEA) may be subject to specific additional or conflicting requirements. Consult the specific grant or contract literature for compliance requirements. (See the 6000 series in Chapter 4)

Accumulated Depreciation - Equipment
The accumulation of periodic credits made to record the expiration of the estimated service life of machinery and equipment.

Work in Progress or Construction in Progress
The cost of construction work undertaken but not yet completed. As the corresponding asset has not been completed or placed in service, the work in process is not subject to depreciation.

9400 Other Long-Term Assets

Funds that utilize the full accrual method of accounting may recognize other long-term assets such as Notes Receivable or Deferred Costs of Debt Issuance. The long-term portion of these assets is accounted for within object code 9400 and reduced over the life of the note as repayment is made, or amortized over the life of the related debt. This asset will also be recognized in accordance with GASB Statements 34/35 for year-end financial reporting. See Chapter 6 for additional discussion.

LIABILITIES

9500 Current Liabilities and Deferred Revenue

Accounts Payable
Accrued Salaries and Wages Payable
Compensated Absences Payable - Current
Due to Other Funds
Temporary Loans
Current Portion of Long-Term
Debt Deferred Revenue

These accounts are used to record the results of financial transactions and their effect on current liabilities, obligations for payments, and deferred revenue moneys advanced by other parties. In Governmental Funds, only the current portion of liabilities is recorded. The current portion is the amount that normally would be liquidated with expendable available financial resources (usually defined as less than two to twelve months).

The long-term portion of liabilities is recorded in separate accounts identified in the 9600 series of accounts. In Governmental Funds and similar Trust Funds, the long-term portion is recorded in the Fund 92 or other method as determined by the District for inclusion in the entity wide financial statements. Proprietary Funds and Nonexpendable Trust Funds use the full accrual basis of accounting, which results in recognition of the total liability in these funds.

If a district accumulates resources to retire, in whole or in part, its long-term liabilities (e.g., compensated absences), the resources may be recorded in a Debt Service Fund, or other appropriate fund for inclusion in the entity wide financial statements. Account 9500, Current Liabilities and Deferred Revenue, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Accounts Payable
The amount due to individuals, firms, corporations, or governmental units for services or goods received prior to the end of the fiscal year. Amounts due to other funds of the district and temporary loans are not recorded as Accounts Payable.

Accrued Salaries and Wages Payable
The amount owed to employees for salaries, wages, and the related benefits.

Compensated Absences Payable - Current
The amount of vested leaves of absence (e.g., vacation and Workload Balancing Programs commonly referred to as "load banking") expected to be paid in the current period. According to GASB Statement No. 16, "*Accounting for Compensated Absences*,"

and GASB Interpretation No. 6, no expenditure should be reported in the governmental funds in connection with compensated absences until they are paid.

Examples of compensated absences include accumulated hours attributable to vacation and workload balancing programs. In general, accumulated sick leave or eligibility for sabbatical leave are not recognized as a liability unless they satisfy both of the GASB Statement No. 16 criteria (see Chapter 6 for appropriate conversion entries for the entity wide financial statements.). Most sabbatical programs are contingent on performance of an approved plan and, therefore, do not meet the first criteria. In addition, despite the possibility that sick leave may be converted to years of service at retirement, it is not considered a vested benefit that requires a cash payment at termination or retirement.

To calculate the liability for compensated absences, the accumulated hours of earned leave is multiplied by the pay rates in effect at the balance sheet date. The result is then increased by the amount of salary-related costs paid by the employer (e.g., payroll taxes, worker's compensation insurance, pension contributions, and other benefits). In the case of a Workload Balancing Program, there may be an alternative rate, other than the employee's current pay rate, that is used for determining the liability.

To determine the current portion of compensated absences recorded in a governmental fund at year-end, a district may accrue the compensated absence actual usage up to 60 days beyond year end. However, in proprietary and fiduciary funds, both the current and long-term portions are recorded in the funds. The district may wish to consult with its contracted district auditor for assistance in determining the current portion of its liability for compensated absences.

To avoid reporting the current salary "banked" by all employees participating in a Workload Balancing Program as taxable income in the period in which it is earned, the district should adopt strict guidelines related to employees' access to amounts credited to their accounts. In addition, cash payments to employees should be disallowed, except in cases when the cash-out is driven by rules beyond the employee's control (e.g., termination, critical emergencies, or payout of nominal residual balances).

In cases where the individual has control over when income is received, the IRS applies Internal Revenue Regulation 1.451-2(a), which reads as follows:

> "Income although not actually reduced to a taxpayer's possession is constructively received by him in the taxable year during which it is credited to his account, set apart for him, or otherwise made available so that he may draw upon it at any time, or so that he could have drawn upon it during the taxable year if notice of intention to withdraw had been

> given. However, income is not constructively received if the taxpayer's control of its receipt is subject to substantial limitations or restrictions."

Under this regulation, income is taxable at the earliest date that the income could have been received. Therefore, if employees are allowed to "cash-out" all or a portion of their banked load, the IRS will determine that the income is taxable at the earliest time the election could be made. The earnings of all employees participating in the Workload Balancing Program would then be reported as income and subject to taxes when such excess services are rendered.

Due to Other Funds

Amounts due to other funds of the district. This amount must equal the amount due **from** other funds of the district. However, if funds operate on different fiscal years, the due to and due from accounts between the funds may not be equal.

Temporary Loans

The amount borrowed for short periods of time and usually evidenced by notes payable. These loans may be unsecured or secured by specific revenues to be collected, such as tax anticipation notes (TAN or TRAN). Tax Revenue Anticipation Notes are used by some districts to assure adequate cash flow during the fiscal year if local tax receipts or State funds are not timed to meet the district's operational needs. Bond Anticipation Notes (BAN) may be issued to meet construction related needs in anticipated of issuance of general obligation bonds.

Current Portion of Long-Term Debt

The amount of long-term debt (e.g., bonds, COP, etc.) to be extinguished within the next fiscal period. When establishing the amount for the Current Portion of Long-Term Debt, the related long-term portion shall be reduced by an equal amount. In governmental funds the long term portion is accounted for "off-books" and included in the conversion entries discussed in Chapter 6.

Deferred Revenue

Grants, contracts, fees, categorical allowances, or apportionment revenue received that is unearned as of the end of the fiscal year but that will be recorded as income subsequently, when earned. Examples of Deferred Revenues include enrollment fees received for Sumer and Fall terms prior to year end and categorical or other restricted revenues received but not spent or obligated by year-end that will be available the next year.

LIABILITIES

9600 Long-Term Liabilities

Bonds Payable
Revenue Bonds Payable
Certificates of Participation
Lease/Purchase or Capital Lease
Compensated Absences - Long-Term
Post-Employment Benefits - Long-Term
Other Long-Term Liabilities

These accounts record the results of financial transactions and their effect on long-term liabilities (debt with a maturity date of more than one year) and are applicable only to reporting on the GASB No. 35, full accrual entity wide financial statements and the Proprietary Funds Group–Enterprise Fund (EF) as noted below. The Governmental Funds Group spending measurement focus is centered on current liabilities.

Account 9600, Long-Term Liabilities, is the controlling account that summarizes amounts recorded in the following subsidiary classifications for the Proprietary Funds Group:

Bonds Payable
The face value of general obligation bonds outstanding, which are not due within one year.

Revenue Bonds Payable
The face value of revenue bonds outstanding, which are not due within one year.

Certificates of Participation (COP)
The net present value of the minimum capital lease payments, which are not due within one year.

Capital lease payments are recorded as expenditures in the fund which received the proceeds and acquired or constructed the assets.

Lease/Purchase or Capital Lease
The net present value of the minimum lease payments, which are not due within one year. When lease payments are made the total obligation is recorded in the fund that acquired the asset as discussed in Chapter 3.

Assets acquired through lease-purchase agreements are required to be capitalized and the related liability recorded - if they meet any one of the following criteria:

1. Ownership is transferred to the lessee by the end of the lease term.
2. There is a bargain purchase option.
3. The lease term is 75 percent or more of the estimated economic life of the leased property.
4. The value of the minimum lease payments is 90 percent or more of the fair value of the leased property at the inception of the lease.

Compensated Absences - Long-Term
The amount of vested leaves of absence (e.g., vacation and Workload Balancing Programs commonly referred to as "load banking") which are not expected to be paid currently. See Compensated Absences in Current Liabilities section for description.

Post-Employment Benefits
Costs associated with post-employment benefits are recognized as employees are rendering the service to earn or be eligible to receive the post-employment benefit. If the district uses the accrual basis of accounting for post-employment benefits, categorical programs may be charged for the cost of providing future benefit to employees who are working in categorically funded programs if the allocation is consistent across all categorical programs. An actuarial study is to be conducted every 2 to 3 years to determine the present value of the district's total future post-employment benefit cost for all eligible district employees and the related cost associated with an individual employee. The amount of the funded liability may be set aside in an Internal Service Fund or may be set aside in an irrevocable trust.

If the cash basis is used to account for post-employment benefits, the cost may **not** be charged to categorical programs. In addition, the unfunded liability will be accrued in the entity-wide financial statements in accordance with GASB Statement No. 45 as described in Chapter 6 for details.

Other Long-Term Liabilities
The noncurrent portion of other long-term liabilities such as Emergency Apportionment (*CCR §*58316), Energy Loans (*EC §*81663) and Instructional Improvement Loans (*CCR §*56684), as well as the noncurrent portions of liabilities for judgments and claims. Descriptive account titles should be used in accounting for such items.

FUND BALANCE

9700 Fund Balance (Governmental fund Types)
9800 Other Equity (Proprietary Fund Types)

Fund Balance or Equity has been defined as the residual balance remaining in the equations:

Assets – Liabilities = Fund Balance

In Proprietary Fund Types, the ending balance is Retained Earnings. In the Entity-Wide Financial statements, the ending balance is Net Assets.

In March 2009 the Governmental Accounting Standards Board issued Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions."* The objectives of the new standards are to improve the usefulness and comparability of fund balance information, by reporting fund balance in more intuitive and meaningful components. The reason for the change in Fund Balance designations was that many believed the current fund balance classifications – Reserved, Unreserved- designated and Unreserved- undesignated were problematic in that standards defining the classifications were vague. Statement 54 establishes the following classifications for use in governmental fund types depicting the relative strength of the constraints that control how specific amounts remaining at year end within the funds may be spent. The statement addresses the classifications of certain governmental funds as well as fund balances and should be read and understood prior to adopting the fund balance classifications. The implementation should be discussed with the district's external audit firm.

Fund balance accounts are used to record the difference between assets and liabilities in Governmental and Expendable Trust Funds. The primary distinction between the five subcategories is the nature and source of the restrictions, if any, placed on how the available fund balance may be used.

In general, a fund's beginning fund balance should equal the ending fund balance of the prior period. According to the 1995 Governmental GAAP Guide, the only reason for making an adjustment to the beginning fund balance is the "Correction of a material error in the financial statements of a prior period." Errors may result from: mathematical mistakes, mistakes in the application of accounting principles, oversight or misuse of facts that existed at the time the financial statements were prepared, or a change from an accounting principle that is not generally accepted to one that is generally accepted. Materiality should be considered in determining whether an adjustment to beginning fund balance is necessary.

Revenues received or expenditures paid that are more or less than the accrual established in the prior year and are not the result of an error, as described above, should be recorded as an increase or abatement to the current-year revenue or expenditure and not an adjustment to the beginning fund balance.

GASB Statement No. 54 was issued to improve external financial reporting for governmental entities. As the community college system has adopted GASB Statements No. 34 and 35 with a Business-Type Activity reporting model, the fund balances noted in GASB Statement No. 54 are not reported externally. However, community college districts are required to implement and comply with GASB Statement No. 54 terminology and reporting guidance for the external reporting of the fund level financial statements.

Any District that chooses not to implement the provisions of GASB Statement No. 54 should continue to follow the Fund Balance structure and definition noted below:

9700 Fund Balance

9710 Fund Balance Reserved

Noncash Assets
Amounts Restricted by Law for Specific Purposes
Reserve for Encumbrances (Credit)
Encumbrances (Debit)
Reserve for Debt Service

9750 Fund Balance Designated

Designated for Commitments by Contract or Other Legal Obligation
Designated for Self Insurance Programs
Designated for Payments Resulting from Court Orders
Designated for Specific Future Purposes (Reserves for Economic Uncertainties)

9790 Fund Balance Unrestricted

9710 Fund Balance Reserved

Fund Balance Reserved includes that portion of the fund balance that is (1) legally restricted to a specific future use, or (2) not available for appropriation or expenditure.

The nature and source of restriction in the Fund Balance Reserved account is external (i.e., the restriction is due to factors beyond the control of the District).

Account 9710, Fund Balance Reserved, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Noncash Assets

The amount of noncash assets that are not readily available to meet current operational needs.

Investments (e.g., stocks and bonds) that are not readily liquid or are otherwise unmarketable should be reported at the current fair value.

Noncash assets shall be identified by subcategory:

- Investments
- Revolving Cash Fund
- Student Loans Receivable
- Stores and Inventories
- Prepaid Items

Amounts Restricted by Law for Specific Purposes

The amount of available resources restricted as to use by law or source. Examples include unexpended revenues received, and not deferred, from student loan programs, redevelopment agency taxes and international student capital outlay fees.
Restricted amounts do not include amounts set aside (e.g., designated) by action of the governing board but include only amounts restricted by law, court action, or donor. Board-imposed designations are not restrictions in the sense applied here.

Reserve for Encumbrances (Credit)

This account is used to represent the amount of fund balance committed for payment of Encumbrances. It is used to recognize contingent liabilities in the form of purchase orders, contracts, and salary commitments and are chargeable to the appropriation, for which a part of that appropriation balance should be reserved.

Encumbrances (Debit)

An amount equal to that portion of the fund balance that has been committed for expenditures upon vendor performance, such as for the delivery of goods or services (includes purchase orders, contracts, salaries, and the like). Encumbrances are used in budgeting and do not represent GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

Reserve for Debt Service

The amount restricted by debt service agreements to be held as reserves for future retirement of debt.

9750 Fund Balance Designated

Fund Balance Designated is the portion of unreserved fund balance for which the governing board has indicated by its resolution plans for use in a future period. Such board designations reflect an “intent”, which may be changed by subsequent resolution.

Account 9750, Fund Balance Designated, is the controlling account that summarizes amounts recorded in the following subsidiary classifications:

Designated for Commitments by Contract or Other Legal Obligation

The amount of contract or other legal obligation designated by board action to come from the unreserved fund balance.

Designated for Self-Insurance Programs

The amount designated by board action to come from the unreserved fund balance for the District’s self-insurance program. Such amounts become available for other future District operations.

Designated for Payments Resulting from Court Orders

The amount required to be paid by court orders and designated by board action to come from the unreserved fund balance.

Designated for Specific Future Purposes

The amount designated by board resolution to come from the unreserved fund balance for the following:

- Capital Outlay
- General Reserve (See definition)
- Leases and Lease-Purchases

- Personal Services and/or Consulting Contracts
- Other

9790 Fund Balance Unrestricted

Account 9790, Fund Balance Unrestricted, is used for any portion of the fund balance not reserved or designated, as defined above, and available for future appropriations.

GASB STATEMENT NO. 54 FUND BALANCE STRUCTURE AND CLASSIFICATIONS

For Districts adopting the GASB Statement No. 54 classifications for internal reporting, the following categories and definitions are applied:

9700 Fund Balance

- ***Nonspendable:*** Fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example). Examples also include non liquid investments and student loan receivables that cannot be used to satisfy current needs.
- ***Restricted:*** Fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers. Also included within the Restricted Category are amounts required for Debt Service payments.
- ***Committed:*** Fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. Balances which may be subject to the Committed criteria may include amounts set aside for future OPEB payments.
- ***Assigned:*** Fund balance comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- ***Unassigned:*** Fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund. This classification includes amounts identified by the governing board as reserved for economic uncertainties.

9800 Other Equity – Proprietary Fund Types and Non Expendable Trust Funds

9810 Contributed Capital
9850 Retained Earnings
9890 Investment in Capital Assets

Other fund balance accounts are used to record the difference between assets and liabilities of Proprietary Funds and Nonexpendable Trust Funds.

9810 Contributed Capital

Account 9810, Contributed Capital, is used to record the permanent contribution of monetary or nonmonetary assets to a proprietary fund. Examples of transactions recorded in the Contributed Capital account include permanent transfers of cash or capital assets or receipt of a grant that is externally restricted to capital acquisition or construction.

9850 Retained Earnings

Account 9850, Retained Earnings, is used to record the difference between assets and the sum of liabilities and contributed capital in proprietary funds and nonexpendable trust funds. This account represents the accumulated earnings in these funds.

9890 Investment in Capital Assets

Account 9890, Investment in Capital Asset, reflects that portion of a Proprietary fund's ending balance that is comprised of the net capitalized assets.