GOVERNMENTAL ACCOUNTING PRACTICES AND REGULATIONS

School district accounting practices will follow state and federal laws and regulations, generally accepted accounting principles (GAAP) and the uniform financial accounting system provided by the Iowa Department of Education. As advised by the school district's auditor, determination of liabilities and assets, prioritization of expenditures of governmental funds and provisions for accounting disclosures shall be made in accordance with governmental accounting standards.

In Governmental Accounting Standards Board (GASB) Statement No. 54, the board identifies the order of spending unrestricted resources applying the highest level of classification of fund balance - restricted, committed, assigned, and unassigned - while honoring constraints on the specific purposes for which amounts in those fund balances can be spent. A formal board action is required to establish, modify and or rescind a committed fund balance. The resolution will state the exact dollar amount. In the event, the board chooses to make changes or rescind the committed fund balance, formal board action is required.

The Board authorizes the superintendent and/or board secretary to assign amounts to a specific purpose in compliance with GASB 54. An 'assigned fund balance' should also be reported in the order of spending unrestricted resources, but is not restricted or committed.

Fund Balance Reporting

Financial reporting for the balances in the District's governmental funds is based on Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Types Definitions. Fund balance refers to the difference between assets and liabilities in the governmental funds balance sheets. GASB 54 established a hierarchy that is based on "the extent to which the government is bound to honor constraints on the specific purpose for which the amounts in those funds can be spent."

The governmental funds can have up to five fund balance classifications. The classifications are defined below from most to least restrictive.

Nonspendable Fund Balance includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. This includes items not expected to be converted to cash, including inventories and prepaid expenses. It may also include other property acquired for resale and the principal of a permanent fund.

Restricted Fund Balance should be reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or law or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This includes "categorical balances."

Committed Fund Balance reflects specific purposes pursuant to constraints imposed by formal action of the board. Such constraints can only be removed or changed by board action.

Assigned Fund Balance reflects amounts that are constrained by the government's intent to be used for specific purposes but meet neither the restricted nor committed forms of constraint. Unless the amount is negative, the assigned fund balance is the residual classification for the governmental funds other than the general fund. If the amount is negative, then the residual amount is shown as unassigned.

Unassigned Fund Balance is the residual classification for the general fund only. As noted above, if a negative residual amount exists in other governmental funds then the amount is reported as unassigned.

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It is the responsibility of the superintendent to develop administrative regulations implementing this policy. It is also the responsibility of the superintendent to make recommendations to the board regarding fund balance designations.

Legal Reference: Iowa Code §§ 257.31(4); 279.8; 297.22-.25; 298A

Cross Reference: 701.3   Financial Records

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OGDEN COMMUNITY SCHOOL DISTRICT BOARD OF DIRECTORS