Accounting Bulletin #2010-02

SUBJECT: Implementation of GASB Statement #54: Governmental Fund Type Definitions

Effective Fiscal Year 2010-11

Date: ~~May 17, 2010~~
Partial Text Revised March 17, 2011
To clarify substantial amount applicable to Special Revenue Funds

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. Accounting bulletin #2010-01 addresses the changes to fund balance categories and the new account codes established for this reporting. Accounting Bulletin #2010 – 02 will address the impact of this statement on the governmental funds type applicable to LEAs as defined in the Manual of Accounting and Financial Reporting for Pennsylvania Public Schools (Accounting Manual).

GASB Statement #54 "clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users to better understand the purposes for which governments have chosen to use particular funds for financial reporting".

General Fund – the general fund should be used to account for financial resources not reported in other funds.

Special Revenue funds – Special revenue funds account for the proceeds of revenue sources that are limited to specific expenditures. These revenue sources must provide a "substantial" amount of the funding accounted for in a special revenue fund. "Substantial" is defined as 50% or more. The standard further limits the use of this fund to expenditures that are not related to capital outlay or debt service.

Capital projects fund – A capital projects fund accounts for resources that are limited to expenditures for capital outlays. Types of expenditures made from this fund include the acquisition of capital facilities *and* capital assets (new with the implementation of Statement #54). Assets purchased by the proprietary funds should not be included in this fund, but should be accounted for in the fund that provided the revenue.

Debt service fund – Debt service funds are used to account for resources that are restricted, committed, or assigned to expenditure for principal and interest. This fund may also be used to accumulate the resources to make future debt service payments.

Permanent fund – Permanent funds are used to report resources that benefit the school, where only the earnings of the fund may be used for school related purposes, the principal must remain intact.

Impact on school accounting

As a result of the clarification on the use of the special revenue fund type, school capital reserve funds no longer meet the definition of special revenue funds. Schools with capital reserve funds must reclassify these funds as capital projects funds effective 7/1/2010. Capital reserve fund 21 (established under PA School Code section 690) will be reported as fund 31; capital reserve fund 22 (established under Municipal Code 1431) will be reported as fund 32. Statutory limitations still apply to these funds even though they will be reported as capital projects funds.

Area Vocational Technical Schools/Career and Technology Centers (AVTS/CTC) that maintain a capital reserve fund permitted under school code section 1850 must also reclassify the capital reserve fund either to the general fund or as a capital projects fund (fund 31) as permitted by their governing agreements. AVTS/CTCs that are not permitted to maintain a fund balance in the general fund must discuss this change with their member districts to determine proper classification for reporting purposes.

Athletic funds shall be reported as General fund operations in the AFR if there is no dedicated stream of revenue to substantially fund the program. If a school's local revenues; for example, gate receipts comprise a substantial amount (50% or more) of the athletic fund's revenue, then the athletic fund may be appropriately reported as a special revenue fund. Schools with revenue streams that are not substantial shall report all athletic fund activity in the general fund.

Additional information on governmental funds can be found in the Manual of Accounting and Financial Reporting for PA Public Schools located at www.education.state.pa.us Click on the Policy and Procedures link, then select School Finance.

Questions regarding the accounting guidance in this Bulletin may be addressed to the Office of Comptroller Operations at: ra-schlfin@state.pa.us

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