

Financial Services  
Richard H. Hinds, Chief Financial Officer

**SUBJECT:           PROPOSED AMENDMENT OF BOARD POLICY: INITIAL  
                          READING: POLICY 6220.01, FUND BALANCE RESERVE**

**COMMITTEE:       INNOVATION, EFFICIENCY AND GOVERNMENTAL RELATIONS**

**LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY**

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for all governmental entities, including school districts, which are required to issue reports on governmental funds. The GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB Statement No. 54 creates distinction for reporting fund balance information considered nonspendable, and also provides for additional classifications for restricted, committed, assigned, and unassigned.

The proposed amendment to Board Policy 6220.01 is intended to clarify the new classifications and to comply with GASB Statement No. 54. In accordance with GASB Statement No. 54, the District will report its fund balances in the following categories: Nonspendable, restricted, committed, assigned, and unassigned.

Attached are the Notice of Intended Action and the proposed amendments. Changes from the current Policy are indicated by underscoring words to be added and ~~striking through-words~~ to be deleted.

Authorization of the Board is requested for the Superintendent to initiate rulemaking proceedings pursuant to the Administrative Procedure Act to amend Board Policy 6220.01, *Fund Balance Reserve*.

**RECOMMENDED:**     That The School Board of Miami-Dade County, Florida authorize the Superintendent to initiate rulemaking proceedings in accordance with the Administrative Procedure Act to amend Board Policy 6220.01, *Fund Balance Reserve*.

**E-200**

## NOTICE OF INTENDED ACTION

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, announced on April 18, 2012, its intention to amend Board Policy 6220.01, *Fund Balance Reserve*, at its meeting of June 13, 2012.

**PURPOSE AND EFFECT:** The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which provides updated definitions for fund balance classifications. The GASB accounting and financial reporting standards apply to all government entities, such as the School Board, that report on the funds held by those governmental entities. The purpose of the recommended amendment is to comply with GASB 54, which sets forth the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. As indicated in GASB 54, the fund balance classifications provide for a hierarchy of spending constraints for spendable resources and require disclosure of non-spendable and spendable resources. This policy amendment adheres to the definition of Fund Balance Reserve provided by GASB 54.

**SUMMARY:** The proposed amendment will permit the school district to adhere to the definitions provided by the GASB 54.

**SPECIFIC LEGAL AUTHORITY UNDER WHICH RULEMAKING IS AUTHORIZED:** 1011.051; 1001.41 (1), (2); 1001.42 (12), (25); 1001.43 (2); F.S.

**LAWS IMPLEMENTED INTERPRETED OR MADE SPECIFIC:** 1011.01; 1011.051, F.S.; 6A-1.002; 6A-1.006 F.A.C.; GASB #54.

IF REQUESTED, A HEARING WILL BE HELD DURING THE SCHOOL BOARD MEETING OF June 13, 2012 which begins at 1:00 p.m., in the School Board Auditorium, 1450 N.E. Second Avenue, Miami, Florida 33132. Persons requesting such a hearing or who wish to provide information regarding the statement of estimated regulatory costs, or to provide a proposal for a lower cost regulatory alternative as provided in Section 120.54(1), F.S., must do so in writing by May 14, 2012 to the Superintendent, Room 912, at the same address.

ANY PERSON WHO DECIDES TO APPEAL THE DECISION made by The School Board of Miami-Dade County, Florida, with respect to this action will need to ensure the preparation of a verbatim record of the proceedings, including the testimony and evidence upon which the appeal is to be based. (Section 286.0105, Florida Statutes)

A COPY OF THE PROPOSED AMENDED POLICY is available at cost to the public for inspection and copying in the Citizen Information Center, Room 158, 1450 N.E. Second Avenue, Miami, Florida 33132.

Originator: Ms. Connie Pou, Controller  
Supervisor: Dr. Richard H. Hinds  
Date: April 3, 2012

FUND BALANCE RESERVE

The Superintendent will target five and one-half percent (5.5%) of Unreserved General Fund Balance, including Designated for Rebudgets/Obligations and Undesignated, the General Fund's ending fund balance not classified as restricted, committed, or nonspendable, as a percentage of Total General Fund Revenues at Fiscal Year End.

The District's system of accounting shall comply with all requirements of the Governmental Accounting Standards Board, Statement No. 54 (GASB 54). In accordance with GASB 54, the District will report its fund balances in the following categories:

- Nonspendable fund balance — amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- Restricted fund balance — amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance — amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- Assigned fund balance — amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- Unassigned fund balance — amounts that are available for any purpose; these amounts are reported only in the general fund.

The Board authorizes the auditors and directs its administrative staff to take all steps necessary to comply with the requirements of GASB 54. All revenue and funds will be designated to one of the above categories.

The General Fund Reserve use shall be limited to funds unanticipated and for non-recurring extraordinary needs of an emergency nature such as, but not limited to, natural disasters, extraordinary weather events such as hurricanes, floods, tornadoes or unforeseen revenue shortfalls that occur within the year's budget cycle. The General Fund Reserve may not be used to fund settlements or judgments against the District or to fund collective bargaining contracts.

F.S. 1001.41, 1001.42, 1001.43, 1011.01, 1011.051  
F.A.C. 6A-1.002, 6A-1.006  
GASB #54