

## **714 FUND BALANCES**

### **I. PURPOSE**

It is the desire of the Board of Education to contribute to the successful education of students through sound fiscal management by maintaining a reasonable and responsible fund balance. Maintenance of an adequate, stable fund balance is important to the establishment of a good credit rating for the District and maintaining appropriate cash-flow. A fund balance allows the District to meet unforeseen contingencies such as enrollment shifts, unfunded state and federal mandates, economic downturn, increased utility costs, inflation and salary settlements. The purpose of this policy is to establish guidelines for maintaining an acceptable fund balance and establish the authority levels for fund balance classifications in compliance with Governmental Accounting Standards Board (GASB) Statement No. 54.

### **II. GENERAL STATEMENT OF POLICY**

The policy of this school district is to comply with GASB Statement No. 54. To the extent a specific conflict occurs between this policy and the provisions of GASB Statement No. 54, the GASB Statement shall prevail. GASB 54 classifies the fund balances into five categories: Nonexpendable, Restricted, Committed, Assigned, and Unassigned.

### **III. DEFINITIONS**

- A. “Assigned” fund balance amounts are comprised of unrestricted funds constrained by the school district’s intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district’s intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.
- B. “Committed” fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school

board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.

- C. “Enabling legislation” means legislation that authorizes a school district to assess, levy, charge, or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes listed in the legislation.
- D. “Fund balance” means the arithmetic difference between the assets and liabilities reported in a school district fund.
- E. “Nonspendable” fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- F. “Restricted” fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
- G. “Unassigned” fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.
- H. “Unrestricted” fund balance is the amount of fund balance left after determining both nonspendable and restricted net resources. This amount can be determined by adding the committed, assigned, and unassigned fund balances.

#### **IV. FUND BALANCE MONITORING**

The District's goal shall be to maintain an Unrestricted General Fund balance, defined as the total of the Committed, Assigned and Unassigned fund balance categories, of not less than

10% of the General Fund's current annual operating expenditure budget.

The Superintendent shall monitor the District's fund balances. If the Unrestricted General Fund Balance falls below 10%, the Superintendent shall alert the Board of Education and implement procedures necessary to stabilize the District's financial position. This process shall involve any or all of the following:

- A. Seek additional revenue sources such as grants or referendum;
- B. No new programs will be added unless matched by an equal revenue source;
- C. Allocations for equipment, textbooks, supplies, etc. shall be frozen or reduced;
- D. Review programming and staffing levels for possible reductions.

## **V. ORDER OF RESOURCE USE**

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

## **VI. COMMITTING FUND BALANCE**

A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

## **VII. ASSIGNING FUND BALANCE**

The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the Superintendent of Schools. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board.

An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

## **VIII. REVIEW**

The school board will conduct an annual review of the sufficiency of the minimum unassigned general fund balance level.

***Legal References:*** Statement No. 54 of the Governmental Accounting Standards Board

***Cross References:*** MSBA Service Manual, Chapter 7, Education Funding