

## Lewistown School District

### FINANCIAL MANAGEMENT

7515  
Page 1 of 3

#### Fund Balances

*[Note: The provisions of this policy include the provisions of Statement No. 54 of the Governmental Accounting Standards Board (GASB).]*

#### **I. PURPOSE**

The fund balance policy establishes a framework for the management of all excess funds managed by the Lewistown School District. The policy is in accordance with GASB Statement 54; management of fund balance. It also provides guidance and direction for elected and appointed officials as well as staff in the use of excess funds at year-end.

#### **II. SCOPE**

This fund balance policy applies to all funds in the custody of the School District Business Manager/Clerk of the Lewistown School District, Lewistown, Montana. These funds are accounted for in the District's annual audited financial reports and include, but are not limited to, the following:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Any new funds created by the District, unless specifically exempted by the governing body; in accordance with state law or GASB pronouncements.

#### **III. CLASSIFICATION OF FUND BALANCES**

The school district shall classify its fund balances in its various funds in one or more of the following five classifications: non-spendable, restricted, committed, assigned, and unassigned.

#### **IV. DEFINITIONS**

- A. *Fund Balance*---means the arithmetic difference between the assets and liabilities reported in a school district fund.
- B. *Committed Fund Balance*—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.

C. *Assigned Fund Balance*—amounts a school district *intends* to use for a specific purpose; intent can be expressed by the District or by an official to which the Board of Trustees delegates the authority.

D. *Non-Spendable 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).

E. *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

F. *Unassigned Fund Balance*—amounts that are available for any purpose; these amounts are reported only in the general fund.

## **V. MINIMUM FUND BALANCE**

The Board of Trustees of Lewistown School District understands the importance of fund reserves. It also recognizes that many factors—most notably revenue receipts and District expenditures—affect fund balance. The Board further recognizes that unrestricted fund balances are intended to fluctuate over time.

As such, the school district will strive to maintain a positive fund balance in all of its budgeted funds at all times. Further, the Clerk of the District will report all fund balances to the Board in conjunction with the annual budget meeting, making special note of unrestricted fund balances that are less than half of the legal maximums (for instance if the General Fund legal limit is 10% the fund balance minimum is 5%). At the time of such report, the Board will review resources available to it and determine the action it will take, if any, to restore fund balances to an amount equal to or greater than the acceptable level described above.

## **VI. 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 (if applicable), committed, assigned, and unassigned.

## **VII. 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.

### **VIII. 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 or business manager.

### **IX. REVIEW**

The School Board will conduct, at a minimum, 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

Policy History:

Adopted on: August 8, 2011

Reviewed on: June 14, 2021

Revised on: July 12, 2021